

Machine tools Can Europe keep up with the Japanese?



Rebuilding German Uphill struggle for Halle and Rostock



Today's surveys Slovak Republic Pages 9-12 Corporate Treasury Management Pages 31-34

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# FINANCIAL TIMES

#### **Volvo postpones** meeting on Renault merger

Volvo, the Swedish manufacturer, postponed next week's planned shareholders meeting on the proposed merger of its car and truck operations with France's Renault for one month following intensive criticism of the deal in Sweden. It said it was seeking "further clarification" of the French government's plans to privatise Renault, a key focus of Swedish opposition to the merger.

McDonnell Douglas, US aerospace group, reported record third-quarter earnings of \$142m. underscoring a year-long financial recovery, helped by a large cost-cutting programme. It also forecast it would top Wall Street's expectations for the full year, despite the sharp downturn in US defence spending and a recession in the civil aviation

**Ulster peace plan offer:** The British government promised to table a comprehensive peace plan for Northern Ireland if the province's four non-violent political parties agree to a fresh round of peace talks. Page 20

i**ese investors paid in kind:** Japanese companies forced to cut dividends as earnings are hit by the country's prolonged economic slowdown are starting to compensate shareholders with produce instead. Page 20

Bradford & Bingley, the UK's seventh largest building society, has become the first non-German institution to be given permission to set up a Bausparkasse, the German equivalent of a building society. Page 21; Lex, Page 20

Capital Cities, which owns the ABC television network, has offered to buy from its shareholders up to about 12 per cent of its existing common stock which will cost the cash-rich group between \$1.18bn and \$1.26bn. Page 21

Dinkins struggles against challenger: Rudolph Giuliani,



(left), the Republican-Liberal candidate, remains the slight favourite to oust David Dinkins, the Democrat, as mayor of New York today in the most eye-catching of dozens of election across the US. The latest polls put the

wo men on a virtual may understate the extent of support for Gibliani the former federal prosecutor. Four years ago Dinkins beat Giuliani by only 2 per cent. Page 5

Japanese new car sales decline: The severity of the downturn is Japan's car market was underlined by registration figures for October which showed that sales of new cars were down 11.3 per cent on October last year. Page 4

ilva. Italy's state steel company, has decided to split its activities into three, marking an important step in the state's withdrawal from lossinaking steel production. Page 2

Norway may cut oliffeld tax breaks: Norway is considering reducing tax concessions to oil companies that retain high levels of debt, in an effort to stabilise government revenues from the North Sea. Page 3

Three die in Hallowe'en ambush: Two gunmen ambushed a group of 13 and 14 year-olds walking home from a Hallowe'en party in Pasa-dena, California, killing three boys and wounding three others in a motiveless attack.

Space shuttle sets record: Space shuttle ... Columbia landed in California with seven astronauts and a cargo of laboratory rats, after a 14-day mission that set a US flight endurance record for the longest of all 58 shuttle missions.

New newspaper for Hong Kong: The publisher of Hong Kong's biggest Chinese daily, Oriental Press Group, confirmed it is setting up an English-language paper to challenge the dominant South China Morning Post. The Eastern Express will be launched in January.

UK schoolboys on murder charge: The trial opened of two 11 year-old boys charged with murdering two-year-old James Bulger in Liverpool, northern England. The court heard they attacked James with bricks, stones and a piece of metal before laying his body on a railway track, where it was hit by a train and cut in two.

Four feared dead in Corsican storms Ten people were missing and four feared dead in flash floods which struck the Mediterranean

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# **US Supreme** Court to sit on unitary tax system

By George Graham In Washington

THE US Supreme Court placed the Clinton administration in a painful quandary yesterday by announcing that it was going to review the constitutionality of California's unitary tax system – which taxes multinational corporations on the basis of their worldwide income.

The nine-member court said it would review both the case brought by Barclays Bank of the UK, questioning California's right to apply the unitary system to foreign-owned companies, and a parallel case brought by Colgate-Palmolive raising similar issues in relation to US-owned

Together, the two cases may affect about \$4bn in tax revenues that California has either collected or assessed:

Fulfilling a campaign pledge, President Bill Clinton reversed the policy of the last three administrations by backing California's argument that the case should not be heard. The administration is extremely anxious that California, politically crucial and virtually bankrupt, should not lose the \$4bn at stake.

At the same time, the Clinton administration is unwilling to eign partners - especially the UK - who have unrelentingly criticised unitary taxation as contrary to the internationally accepted

arm's length system

In a brief filed with the Supreme Court last month, the US solicitor-general argued that although the decision by the California Supreme Court upholding the unitary system was "subject to serious question", there was no practical need for a review because of changes California made last month to its tax law to meet foreign objections.

The unitary method assesses tax on a proportion of a group's worldwide income, whereas the arm's length system taxes only the revenues of the companies doing business in the state. Yesterday's announcement sur-

prised many legal experts and appeared to shift the odds of victory strongly in Barclays' favour, but Mr Jerome Libin, a lawyer representing the UK governmen in the case, cautioned against any such prediction. "It only takes four votes to

grant a petition for review and it takes five votes to win," he said. Mr Brad Sherman, a member of the California franchise tax board who was active in promoting the changes to the unitary tax system, said he was disappointed by the Supreme Court's decision. "We thought we had a good chance to close this can of

In reviewing the Barclays and



Palestinians demonstrators fly the flag in Jerusalem. Israeli reaction to the recent peace accord will be tested in local elections today. Page 4

Talks mark end of four-year ban on high-level military contacts

## US builds bridges to Beijing

in London

SENIOR US defence department official is in Beijing for talks which mark the end of Washington's four-year ban on high-level military contacts and are the latest sign of a revitalisation of its policy towards China.

The discussions being held by Mr Charles Freeman, assistant secretary of defence for regional security affairs, with the People's Liberation Army follow separate visits to Beijing in recent weeks by Mr Mike Espy, the agriculture Department and trade officials.

Also indicating an improvement in relations, Mr Li Peng,

month's meeting in Seattle between President Bill Clinton and Mr Jiang Zemin, China's president, "is a good thing and is

of great significance" Officials of both sides have, however, been careful not to raise hopes that significant Sino-US agreements could be reached in Seattle.

The recent visits by US officials to Beijing represent an attempt by Mr Clinton to broaden the relationship between the two countries, which has been tense and restricted since the 1969 kill-Recently relations have been fur-ther clouded by heightened US pressure on China over human doubt that Mr Clinton may rights and weapons sales.

maintain insistence on improvement in these areas but also engage China in a much broader range of discussions so that the issues in dispute cease to domi-

nate the bilateral relationship. "We are now embarked on a policy of re-engaging," a US official said. "We are no longer denying ourselves the possibility of talking to the Chinese at the level necessary.

The hope is that a broader dialogue would make it easier for the US to explain where it found Chinese policies to be objectionacceptable to China. However. US officials are in no

The new US strategy is to nation trading status next year if progress is not seen.

Mr Warren Christopher, secretary of state, told businessmen recently: "I don't believe we can sustain the position for MFN for beyond next June unless we see rights field by the Chinese, as well as reform in connection with trade practices and progress in the non-proliferation front."

He made clear that Washington wanted changes soon rather than at the last minute before Mr Clinton's decision next year.

China dismisses US linkage of in mehts and frade as a of the cold war and has called for greater US-China contacts.

China's economy, Page 19

## UK chancellor wins agreement on spending cuts

By James Blitz, Political Staff,

MR KENNETH CLARKE, the British chancellor of the exchequer, won a victory yesterday in the run-up to his first budget on November 30 by persuading fel-low cabinet ministers in Mr John Major's government to cut departmental spending and freeze public expenditure for next

In an unexpected announcement, a spokesman for the prime minister's office said ministers had concluded nearly all the details of this year's departmental spending round in a series of meetings with Treasury officials in recent days.

the spending totals agreed for each department will come in Mr Clarke's unified budget, which will also deal with revenue pro-

The success in freezing expenditure at present levels will please right-wingers in the ruling Conservative party by reducing the pressure to increase revenues through tax increases. However, members of Parlia-

ment assumed that there would still be cuts in defence spending, the most contentious area in the public-spending round, although those would not now be as large as military chiefs had first

Officials at the prime minis-

The formal announcement of ter's official residence in Down- in recent weeks has been the attempt to make more than token he spending totals agreed for ing Street and the Treasury con- level of defence spending for the cuts in the £23bn defence budget firmed that the proposed spending total of £253.6bn (\$383bn) for next year had been met. A spe-cial session of the cabinet due to discuss public spending today has been cancelled. The final details of the spending plan will be finalised on Thursday at a "routine" session of the cabinet

which should avoid the tough debate that had been expected. "There has been sufficient progress to ensure that decisions about spending programme totals can be taken at cabinet on Thursday in the normal way," the Downing Street spokesman said, adding: "We are nearly there."

The biggest source of tension

next three years.

Treasury officials had threatthree years, but Mr Malcolm Rifkind, the defence secretary, warned last week that any ture followed a meeting between

level of defence spending for the cuts in the £23bn defence budget risked provoking a full defence review. A group of 14 Conservaened to cut defence spending by about £1bn in each of the next threatened to vote against large cuts in defence spending. The agreement on defence expendi-

Free Economist Survey.

Move to the

chiefs last Wednesday, Some still insisting yesterday that they would revolt against any cuts in defence spending which amounted to more than £1.3bn in

Continued on Page 20

## Japanese contractor seeks protection with \$5bn debts

By William Dawkins in Tokyo

MURAMOTO Construction, a little-known contractor, became Japan's biggest financial failure for more than 45 years yesterday when it filed for protection from its creditors, unable to pay debts of Y590bn (\$5.57bn).

This is by far the biggest single potential loss facing Japan's banking system since the collapse in asset prices started two years ago, sending the economy Of the 50 banks exposed to the

group, the leading creditor is Nanto Bank, the main regional bank in Nara prefecture, western Japan, where Muramoto, the country's 24th-largest general construction group, is based. It has Y56bn of loans to Muramoto. which compares with the bank's Y3.000bn deposit base.

Nanto is followed by Daiwa Bank, which has led creditors' negotiations with the company, with loans of Y45bn; Long Term

Bank, with Y28bn. Muramoto's collapse would

creditor banks, but they can shorh the loss between them, a senior official of the Bank of Japan, the central bank, said. Creditors had secured collateral for their loans, and had approved the move in advance, a finance ministry official added.

However, the move may increase Japanese banks' caution at a time when lending is already sluggish, one of the factors contributing to the recession.

Until yesterday, Japan's largest corporate collapse since 1945 was that of Sanko Steamship, which filed for bankruptcy in 1985 with debts of Y520bn. Tetkoku Databank, the private credit research agency, attributed

Muramoto's collapse to the fail-

ures of property companies with

which it had undertaken joint developments. Like other prop-CONTENTS

Credit Bank of Japan, with erty companies, they suffered in Y38bn; and Dai-Ichi Kangyo the prolonged decline in property Muramoto, an unlisted com-

cause "adverse effects" for its pany capitalised at Y2.4bn and with sales of Y291.5bn last year. specialises in public works projects, but it diversified into golf course construction and property development in the late 1980s. Its difficulties are thought to have started with the collapse of a property company that had ordered a golf course from the construction group. One of its property development partners, Daito, then went bankrupt.

Muramoto yesterday found it was unable to pay its bills after the majority of its creditors had rejected a rescue plan put together by Nanto Bank and Daiwa Bank. It filed for protection under Japan's corporate reorganisation act.

Background, Page 21 Shareholders may be paid in goods, Page 20

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## Italy moves nearer state steel sell-off

ITALY's state steel company Ilva has decided to split its activities into three, marking an important step in the state's withdrawal from loss-making

steel production.
One hational company will be for a round flat prodwill be for I round flat prod-ucts produce at Taranto's integrated complex and at Novi Liguri, Genoa. A second will concentrate on stainless steels

Iri, the state holding that controls Ilva, intends these two operational companies to be privatised. A third company will include all those assets and activities which it intends to liquidate.

Mr Romano Prodi, the head of Iri, first unveiled plans to split up Ilva in July in an attempt to break the deadlock between Italy and the European Commission over state subsidies to the industry and to remove the financial burden of Ilva's L7.580bn (£3.15bn) debts. However, the idea came later of forming a special company to liquidate unsaleable assets - and it is assumed that that company will take on

L1,700bn in 1992. The company charged with liquidation will also handle 5.545 of the 11.500 redundancies envisaged over the next three years from Ilva's present work-force of 34,000. The job losses risk provoking serious unrest, but the government is to be asked to fund generous early retirements and back new industrial projects in the worst affected areas.

It is thought likely that Mr Hayao Nakamura, the Japa-nese steel executive brought in this year to run Ilva, will be asked to take over the management of the flat products company. But much will depend on who decides to buy out this operation based round Taranto, Europe's biggest steel complex, with a capacity of

10m tonnes a year. This week, Mr Nakamura, who formerly worked for Nippon Steel, is accompanying Mr Prodi on a trip to Tokyo to discuss the privatisation of Iri activities with Japanese inves-

Ilva was formed in 1988 from the collapse of the previous state-run group, Finsider.

## **NEWS IN BRIEF**

## Austrian airline strike talks fail

NEGOTIATIONS failed yesterday to end a strike by pilots and cabin staff at Austrian Airlines that has grounded the loss-making national carrier for the past four days amid recriminations between unions representing flight and ground personnel, writes Patrick Blum in Vienna.

Mr Christian Schmid, leader of the ground staff, denounced as senseless the strike called after management announced plans to cut 500 jobs next year from the 4,500-strong workforce. On Sunday, Mr Albin Schwarz, leader of the 1,200 striking flight staff, called for a new management, guarantees of the airline's independence in any future co-operation agreement with other airlines, and for a decisive say for unions in decisions affecting personnel.

The airline is expected to make a loss of Sch830m (\$70m) this year following losses of Sch525m in 1992.

#### 'Pyramid' suspends payments

A pyramid investment company which launched a money-spinning craze in Romania said yesterday it had suspended payments to investors for two days because of "organisational problems" but denied reports it was about to collapse, Reuter reports from Bucharest. The Caritas company described as unfounded a wave of local press stories saying the money chain was losing momentum and that it would soon grind to a halt.

It was the second time in a month that Caritas has interrupted payments for several days. More than 4m Romanians have billions of lei tied up in the scheme, which works like a chain-letter game and promises depositors a return of eight times their initial deposits after just three months.

#### Moscow bans demonstration

Moscow's city council has banned all demonstrations by all political parties and groups on communism's most cherished anniversary, Revolution Day, on November 7, Reuter reports. The ban was being introduced because some of the groups which had applied to take part in Sunday's rally had been involved in the abortive uprising against President Boris Yeltsin on October 3.

### Europe's big day a small affair

YESTERDAY was a strange birthday for what may be the most discussed, least read piece of paper in history. The Maastricht treaty finally came into force on a day when the Catholic half of the revitalised European Community was having a day off.

No champagne, no fire-works. Most citizens of the "new European Union" as they are described were oblivious to the fact that overnight their solidarity had been "deepened", the democratic and efficient functioning of their insti-tutions "enhanced3, and their economic and social progress promoted".

In Brussels, those same institutions were barely functioning. The European Commission and Council were enjoying the All Saints Day holiday. The treaty itself also appeared to be on holiday. There was some confusion

over copies at London's HMSO Books, source for UK government publications - "there's one done by the EC, which would be for Europe and Britain generally, and the government itself has done one that relates to Britain" before the Commission's version was tracked down (£18 for the full version, including the 1957 Treaty of Rome, £6 for the Maastricht amendments on

As for the specific rights of the EU citizen, some may find them rather disappointing.

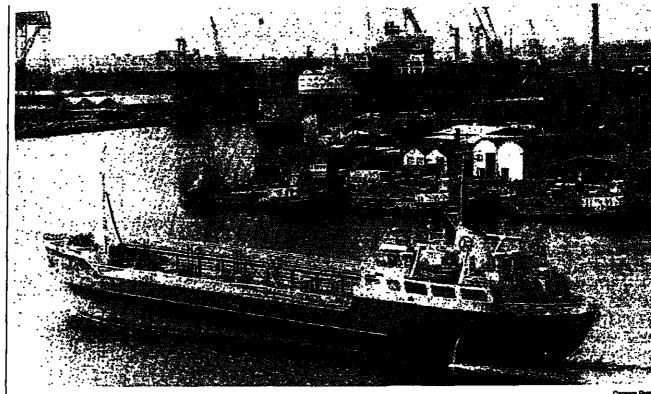
Expatriate EU citizens get the privilege of being able to vote in or stand for elections to their local municipalities or the European parliament in the place where they live, but as there are only 5m expatriates in the whole Union that may not amount to much of a democratic breakthrough.

Mr Len Lewis, electoral services manager at Lambeth Borough Council, was certainly not expecting a flood of requests from disenfranchised Portuguese wishing to represent south London at Strasbourg. "You're the first to call about it." he said yesterday. Not satisfied? The Maas-

tricht treaty tells you how you can complain about this newfangled Community and its institutions. You can petition the European parliament directly or - in particularly bad cases - complain to an ombudsman, appointed by the parliament.

Alas, the ombudsman could not be contacted yesterday. He, or she, has not yet been appointed.

As for the town of Maastricht itself, it was possibly the only place to allow itself a modest celebration. Now that it is no longer synonymous with particularly nasty disputes between Euro-enthusiasts and Euro-scentics it is thinking of subtitling itself "treaty town".



Rostock: resources were poured into what it was hoped would be a showpiece communist port, to the neglect of all else

## Reconstructing bankrupt east Germany: a tale of two cities

Judy Dempsey talks to the mayors of Halle and Rostock

EW yearn for the days when east-ern Germany was communist-ruled. But many remember how the capi-tal, East Berlin, selected the party bosses who ran the main cities.

There were several key cities to which the aspiring party apparatchik sought promotion. One was Rostock, on the Baltic Sea, another Halle, deep in the heartland of "middle Germany".

Each with a population of 300,000, they were important political and economic sinecures of the old regime. Resources were pumped into Rostock, aimed at making it the most important port in eastern Germany and showing it could compete with the western shipbuilding centres of Hamburg and Bremen.

Red Halle, as it was known, also had funds directed its way to shore up heavy industry. But the infrastructure, including water, sewerage, housing and heating, was

Over-fulfilling the Five Year Plan in machine tool production took precedence over everything else.

Three years after unification, the mayors of both cities are struggling to rebuild an entire social, economic and local government infrastructure from scratch. They also have to cope with unemployment rates of more than 40 per cent. No wonder Mr Klaus Rauen, mayor of

Halle, Saxony-Anhalt, sees his job as a mission. As a "Wessi", or westerner, he believes he can contribute to unification by passing on his experience as former

"It has been rewarding and frustrating. I work about 15 hours a day. I don't know for how much longer I can continue this life-style," he says in his office in the centre of Halle.

Mr Klaus Kiliman, his counterpart in Rostock, Mecklenburg-Vorpommern, is an "Ossi", or easterner. He had never dabbled in politics before unification. He is a theoretical physicist. "I thought I had something to contribute after the Wende [the change]. It has been hard. I often think about returning to my physics," he says.

Weak, coalition-led councils, suffering from inexperience and internal bickering, have hindered the consolidation of local government structures in both cities. Moral and financial bankruptcy have played their part as well

"The people of the former east Germany still feel disoriented, and ashamed because they feel they were in a system which has lost all respect," says Mr Rauen. He wants to restore the inner city as a means of generating self-confidence, pride and a sense of the pre-communist era. The problem is money.

Halle is also virtually bankrupt. It has a current expenditure budget of DM1bn (£400m) and an investment budget of DM300m. However, the collapse of the region's uncompetitive industry means that the city's share of company tax revenue is less than DM65m a year. Personnel costs, including administration wages, kindergartens and other employee services, account for 53 per cent of expenditure. To finance the deficit, the city has borrowed DM100m from banks and in the bond mar-

Rostock has a budget of DM700m and a deficit of DM81m. The council's personnel costs account for 55 per cent of the budget - the average in western Germany is 33 per cent. Mr Kiliman has raised DM81m in the bond markets or through bank credits

to finance his city's deficit. Both mayors are legally obliged to reduce personnel costs. Halle has already cut staff from 13,000 in 1991 to 6,000. Mr Rauen intends to reduce it to 4,000. He has until the end of the year to dismiss staff. After that, each council employee will have tenure.

Mr Kiliman, a Social Democrat who heads a weak coalition government of Christian Democrats and Social Democrats, says he also is committed to cutting his staff to 4,000, a third of the 1990 level. But the local parliament is opposing it. Cuts mean closing down kindergartens and other employee services.

Neither Mr Rauen, a Christian Demo-crat, nor Mr Kiliman needs any persuad-

ing about the need to create a lean, effi-cient city council. In 1992, the eastern Länder, or states, employed 304 civil servants for each 10,000 inhabitants - 30 per cent more than western Germany. The eastern local councils employed 427 civil servants for each 10,000 - twice the western level. According to the German Federation of Taxpayers, "eastern German administration has about 440,000 employees more than can be justified".

Yet some see a positive side to the dire state of the cities' finances. A shortfall of revenue could speed up the privatisation of local services, almost taboo in western Germany.

"If we do not have a mixture of public and the private investment, we will not be able to overcome our [financial] problems," says Mr Rauen.

Privatisation of water services in Rostock and electricity in Halle, both of which were difficult to push through, revealed the unstable and paradoxical nature of eastern Germany's political alliances. In Rostock, the Social Democratic SPD voted for privatisation, and the Christian Democrat CDU opposed it. In Halle, the SPD and. the refashioned communist PDS tried to

r Tjark Woydt, head of Deutsche Bank in Rostock, explains how VI unification has thrown unexpected alliances. "Three years ago, politics in eastern Germany was like a casino game, with everyone vying for a place in the new order," he says.

"Today, officials are slowly trying to make up their minds about where they stand politically. It's taking time. People still don't know where they stand ideologically. They don't know what the main parties stand for."

Neither Mr Rauen nor Mr Kiliman has decided whether to remain on the eastern German political scene long enough to see the emergence of stable political structures. "It's an uphill struggle," says Mr Rauen. "But both westerners and easterners have to make it together.'

### Tide of ethnic Germans recedes

THE number of ethnic Germans seeking to live in Germany has fallen sharply in the past 10 months, with the former Soviet Union accounting for the greatest reduction, the Interior Ministry announced yesterday.

Mr Horst Waffenschmidt state secretary, said 187,658 ethnic Germans, or Aussiedlers, from the former Soviet Union, had applied to move to Germany, nearly 100,000 fewer than in the same period last year. More than 158,815, partic-ularly from the Omsk and Volga regions, and Saint Petersburg, have arrived in the country since January.

Applicants from eastern Europe are also falling, partly because the ethnic German community has dwindled over the past 10 years, but also possibly because of the economic climate and growing unem-ployment in Germany. The number of ethnic Germans from Poland fell to 9,100 from 25,045, and from Romania to 5,643 from 12,922 In all, 168,663 ethnic Germans have settled in

Germany since January.
The German authorities have tried to restrict the number of ethnic Germans, who have an automatic right to citizenship, by promoting Germanlanguage schools, newspapers and cultural centres where they live. But Mr Waffenschmidt said yesterday they would only remain in their region if they had incentive to

 German prosecutors yesterday began investigating an assault by right-wing extremists on US athletes at the weekend, Reuter reports from Berlin. Authorities in Oberhof said about 15 skinheads shouted racist insults at two US athletes, both of whom were black. A team-mate who came to their aid was beaten.

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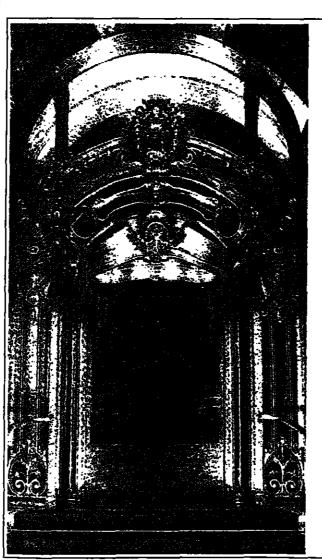
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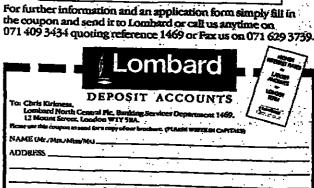
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By Karen Fossii in Oslo

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NORWAY is considering reducing tax concessions to oil npanies that retain high levels of debt, in an effort to stabilise government revenues from

The measure would seek to offset revenue losses suffered after special tax concessions were introduced last year, Mr Arne Oeien, permanent finance ministry secretary, said

The new rules had led to higher dividend payments and profit repatriations, Mr Ocien told a petroleum tax conference in Oslo.

The measure being considered would affect both domestic and foreign oil companies operating in the North Sea.

We are currently consider ing different measures to avoid substantial revenue losses as a consequence of the increase in dividend payments and profit repatriations after the introduction of the new (petroleum) tax and accounting rules in 1992," Mr Oeien said

Last year Norway introduced important tax reforms in the energy sector in which it sub-stantially increased the

so-called special income tax rate, and abolished a production allowance, together with petroleum royalty payments on. natural gas.

Mr Oelen said that as a result of these changes the reserve fund requirements and dividend taxation rules were no longer effective in terms of binding capital in the Norwegian petroleum tax jurisdic-

Mr Oeien said Norway actively uses income tax to ensure the state a targer share of total (petroleum) revenue when the oil price increases, and to avoid a serious worsen ing of the the working climate for the oil companies in times of lower pre-tax incomes. Options being considered

were an increase in the so-called special income tax and changing the regulations so that companies would be discouraged from maintaining high debt levels as a way of increasing tax allowances. Norway's current account surplus jumped to Kr15.37bn (£1.4bn) in January-August from Kr10.63bn in the same period a year ago, the Central

ter reports from Oslo.

## Norway may Danish bank rescue cut oilfield backfires on minister

DENMARK'S Democratic-led coalition government, which promised a "decade of decency" when it came into office in January, has become embroiled in a controversy over a banking rescue operation.

The opposition is calling for the resignation of Mr Ole Sta-vad, minister for taxation, for allegedly misleading the Folk-eting, or parliament, over his part in a rescue action in August for a bank in Mr Stavad's North Jutland constitu-

Mr Poul Nyrup Rasmussen, the prime minister, whose gov-ernment has only a one-vote majority, was forced at the weekend to give in to demands both from the opposition and from within the ranks of the coalition parties for an "impar-tial investigation" into the

Mr Stavad's troubles began when the government negoti-ated a deal with a North Jutland savings bank, Sparekas-sen Nordjylland (Spar Nord) to keep open the offices of a small local bank, Himmerlandsbanken, in the town of Hobro, which had collapsed with debts of around DKr400m (£40.2m). According to Spar Nord's managing director, Mr Jorgen Giversen, the savings bank obtained a "crystal-clear" agreement that, as the price of taking on Himmerlandsbanken's operations, the savings bank would be allowed to make a tax-loss deduction of

However, when opposition politicians looked at the deal they concluded that the offer of a tax-loss deduction was illegal. A tax-loss deduction is legal only if a company takes over another company in its entirety, but Spar Nord took over only part of Himmerlandsbanken, which was subsequently declared bankrupt. Confronted with this argu-

ment, Mr Stavad said the government had never promised the savings bank a tax deduction, only that it could make normal loan-loss provisions for DKr173m. In that case, retorted Spar

Nord's Mr Giversen, the gov-

ernment misled the savings bank's sharebolders. He published a fax from the Customs and Excise Board, sent to him at 4 am on Monday August 23, after a weekend of negotiations with the government, which appears to confirm his version of events, "We told the government during the negotiations that the alternative to a tax-loss deduction of this order was payment of about DKr53m in cool cash to make up the difference between the assets and liabilities we were taking on," he

Mrs Kirsten Jacobsen, of the right-wing Progress party, who has spearheaded the attack on Mr Stavad, claims that the minister has repeatedly misled the Folketing and its committees in his attempts to escape

The opposition parties yes-terday accepted the government's proposal for an impartial investigation, which for the moment takes the pressure off Mr Stavad. Mr Rasmussen's government

took office when the prime minister for over 10 years, the Conservative party's leader, Mr Poul Schlüter, resigned follow-

ing a judicial inquiry.
The inquiry's highly controversial report found that he had misled the Folketing when reporting to it on the so-called Tamil scandal, in which his minister of justice illegally denied Tamil refugees the right to bring their families to



UN peace envoy Thorvald Stoltenberg (right) speaking to aid truck drivers in Belgrade yesterday

#### Appeal over new Bosnia atrocities

THE International Red Cross yesterday warned of mass expulsions in central Bosnia amid allegations that civilians were being summarily executed, writes Laura Silber in Belgrade.

The ICRC denounced the "blatant violation" of international humanitarian law around Vares, a Croat-held town in central Bosnia, appealing to the mostly Moslem governmen army and Bospian Croat forces to stop the "harassment" of civilians. "Thousands of civilians have been forced to flee from their homes...they are fleeing looting, death threats, mistreatment and are desperately

organisation said. The Bosnian army is fighting against Croat forces for land near Vares. The town straddles one of the main aid router

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linking Sarajevo to Tuzla. In Belgrade yesterday, Mr Thorvald Stoltenberg. UN peace envoy, protested against the detention of the crew of two Sea King choppers, who had been delivering relief supplies to Srebrenica, the Moslem enclave in eastern Bosnia. The incident comes after Serb forces flouting Srebrenica's status as a UN "safe area", seize control of part of the Moslem enclave.

## Kurd rebellion spoils Turkey's 70th birthday

THERE was an air of unreality last weekend as Turkey cele-brated its 70th year as a republic. As television quiz shows hosted young soldiers in full battle dress, the evening news carried footage of conscripts being air-freighted in coffms draped in the red Turkish flag. The worsening rebellion in Turkey's Kurdish-speaking region is putting intense strain on the conservative-led coali-tion of Mrs Tansu Ciller, rais-

ing questions about its Last week, hardliners from Mrs Ciller's True Path party were promoted to key defence and interior ministries, apparently without the junior partner Social Democratic Popu-

lists being informed. As both parties now set their sights on the nationwide municipal elections next March, and as they appeal to their traditional constituencies, the cosy cohabitation of the coalition looks shaky.

If the coalition breaks up, as Turkish newspapers were already predicting at the week-end, western diplomats believe Mrs Ciller could win support as a minority government. Should the her party emerge strongly from the March polls, Mrs Ciller might then be tempted to call early general elections, probably in the autumn.

The logic for both parties is that the present policy stalemate could damage their electoral chances. Since they swept. the municipalities in the last local elections in 1989, the Social Democrats' standing has been hurt by a corruption scandal in the municipality of istanbul, which it runs, and the failure to unite with other left-of-centre parties. When the coalition was

formed following the election in October 1991, there was a

Three Turkish officials will go to Damascus this week to urge Syria to curb the activities of guerrillas battling for a sepa-rate Kurdish state in Turkey, Reuter reports from Ankara.

Turkey has long urged Syria infiltration by Kurdistan Workers' party (PKK) rebels fighting a secessionist struggle in south east Turkey.

Prime Minister Tansu Çiller last week accused Syria, Iraq, Iran and Armenia of allowing the PKK to use their territory and said she would pursue dipnatic efforts to persuade them to desist. Syria says it regards the PKK as an illegal organisation and arrests its members when it finds them.

popular expectation that the need to find common cause would force both parties to moderate their traditional positions - the True Path party forced to take on a more reformist Kurdish policy, and the Social Democrats to adopt a more pro-business and eco-

But Mrs Ciller has paid only lip service to the need for a national policy on the Kurds, while cading more powers to the military in the prosecution of what one of her ministers last week publicly conceded was now a full-scale war. With the bloodshed escalating more than 2,000 people have been killed this year alone last week's cabinet reshuffle reflected her party's concern that the military may use the current crisis to impose mar-

tial law in the region. Equally, Mrs Ciller's eco-nomic reforms have been hampered by what one senior west ern diplomat called the "bureaucratic inertia" of the Social Democrats. Her efforts to legislate by decree have now been overruled by the constitu-

#### ORMAN AND PARNEVIK COLLECTED THE TROPHIES. BUT HAMILTON AND NICHOLSON REALLY CLEANED UP.

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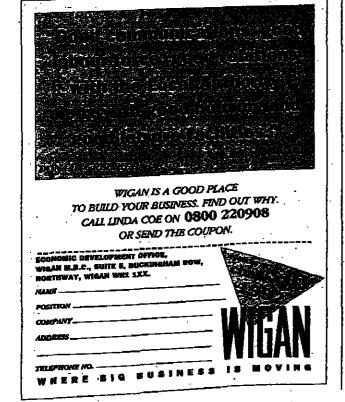
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## Corruption probe jeopardises Kenya aid

donors are investigating financial mismanagement and allegations of corruption involving more than \$125m (£82.7m) at the state-owned Kenya Post and Telecommunications Company.

Further irregularities have been revealed by a former manager of KPTC, now living abroad, who told the Financial Times that an inventory check last year on stock worth \$250m on paper produced "huge dis-Donor officials believe that

nelled to a group of local banks which lent the money on to government officials or supporters of the ruling Kanu party. These banks are already

under investigation by the gov-ernment, acting with the encouragement of donors. Negotiations for a new International Monetary Fund agreement and plans for a donor conference in Paris this month government of President Dan-iel arap Moi takes urgent steps

to overhaul KPTC, one of Ken-

ya's largest state-owned com-panies. Without the IMF icy, donors are unlikely to resume financial aid frozen since November 1991. And without the renewal of aid, Kenya faces a balance of payments crisis. It is \$700m in arrears to its foreign creditors. Donors are seeking an explanation of KPTC's failure to remit to the Treasury the 18 per cent value added tax it charges on telephone bills. The information is disclosed in an

auditor general's report which

also reveals that the company

has not paid corporation tax since 1988. The report shows that KPTC has accumulated arrears on its own foreign debt, on its contri-butions to the National Social Security Fund, and on a spe-The monies owed are said by

lent to about half the company's annual turnover. KPTC deposited hundreds of millions of shillings in scandaltainted domestic banks. investigating the KPTC man-

western officials to total more

than \$125m, an amount equiva-

agement, these funds were on-lent to government supporters. Although four of these banks were closed earlier this year, auditors are still trying to trace the deposits of KPTC and the company pension fund held at another, Transnational Bank. The bank has fended off closure by promising to inject fresh capital to cover bad loans, but one of Transnational Bank's main shareholders, Mr Jared Kagwana, has fled the country after being questioned by police over alleged embez-

has also accused company executives of faking the theft of millions of dollars of equip-ment so that it could be resold to KPTC for instant self-enrich-

Mr Stanley Bell, KPTC's chief general manager until October 1992, says he was fired for refusing to authorise a \$20m procurement order for spare parts. According to him, thefts of stocks were being reported to justify the pur chase of the same goods.

He ordered an inventory check and encountered "huge

## Japanese new car sales show steep decline

THE SEVERITY of the downturn in Japan's car mar-ket was underlined yesterday by registration figures for October which showed that sales of new cars were down 11.3 per cent on October last

The figures, from the Japan Automobile Dealers Association, represent the seventh consecutive monthly decline in new car sales, and a 15.5 per cent fall from September. Vehicle sales in October amounted to 374,227 units, while car sales were nearly 10 per cent down to 253,516 units. The gloomy figures, which came despite the opening of the biennial Tokyo Motor Show last month and the recent launch of several new models by Japanese manufacturers, reinforced growing concerns in the country's motor industry about the timing of a

possible upturn. Nissan Motor, which on Frilay announced a pre-tax loss of Y28.9bn (£180.6m), over double its loss in the previous first half, said it was becoming extremely difficult to keep to its goal of breaking even this fiscal year and returning to profit in fiscal 1994. pinning its hopes on stronger demand during the winter bonus season, the growing pos-sibility that Japanese employ-ees would receive lower bonuses this year casts a cloud over that scenario. "The recov-

ery may not come until next Honda, which saw its sales in October, excluding imports from the US, drop 28.4 per cent, said it was becoming very diffi cult to read the market. Other Japanese carmakers

are expected to confirm the dif-

ficult trading environment when they announce figures for the six months to September in the weeks ahead.

Meanwhile the rise of the yen is leading one Japanese carmaker after another to raise prices in the US market, a trend which many of them fear could result in a loss of market

Mazda became the latest company to announce a price rise, of 2 per cent, yesterday following a 4 per cent incre

## Alliance drawn into peace talks

minute compromise on a new

tion of the constitution was pushed back to November 12. The government is also pressing the PAC, which has participated in multi-party constitutional talks, to end its violent struggie against apartheid. The two sides met yesterday in the Zimbabwean capital, Harare, and issued a communi qué calling for a moratorium

## SOUTH AFRICA'S right-wing multi-party negotiators. The Freedom Alliance yesterday deadline for multi-party adop-Freedom Alliance yesterday

agreed to meet the government to try to hammer out a lastconstitution, while the ultraleft Pan Africanist Congress took a further step toward renouncing violence, writes Patti Waldmeir in Johannesburg.

on violence but stopping short of agreeing the government's demand that the PAC halt its guerrilla war. The Azanian People's Liberation Army, the PAC's military wing, has claimed responsibility for

The government and the Freedom Alliance, which includes the mainly Zulu Inkatha Freedom party and white supremacist groups, will meet for two days from today at a secret bush venue. The government will make a last-ditch effort to persuade the alliance to accept a draft con-

## Hyundai founder guilty of fraud

MR CHUNG JU-YUNG, the founder of South Korea's Hyunda business group, yesterday received a three-year suspended prison sentence for illegal campaign practices during his failed presiden-tial bid last year, writes John Burton in Seoul.

Mr Chung, now honorary chairman of Hyundai, was convicted of embezzling \$64m (£43m) from Hyundai Heavy Industries (HHI), the group's shipbuilding unit, to finance his presidential campaign. He was also found guilty of forcing Hyundai employees to work on the campaign

Mr Chung said the money from HHI was from the sale of his shares in the company and was not corporate funds as alleged by



Mr Chung leaving court yesterday after receiving a suspended senience over illegal election funding

the government. Hyundai employees who campaigned for him did so as volunteers. The Seoul district criminal court said it would not imprison Mr Chung because of his advanced age - he is 78 - and his contribution to the nation's economic development as

head of Korea's biggest conglomerate.

head of Korea's biggest conglomerate.

The allegations about Mr Chung's use of illegal campaign funds surfaced in the closing days of last December's presidential election and played a crucial role in his poor third-place finish behavior party. the victor, Mr Kim Young-sam. Mr Chung's United People's party subsequently virtually collapsed.

## N Korea slated over inspection

NORTH KOREA'S failure to be an integral whole. comply with international As he addressed the UN, the nuclear safeguards has been North Korean delegation pubwidening" and continuity of some data was already damaged, the head of the UN inspection's body said yesterday, writes Michael Littlejohns in New York

in New York.
Dr Hans Blix, director-general of the International Atomic Energy Agency, said the longer verification was blocked the less assurance there could be that even North Korea's "declared facilities" were for peaceful uses. Reporting to the UN General Assembly, he rejected Pyongyang's attempt at piecemeal verification, saying inspection must

agreeing to inspection "for the purpose of maintenance and replacement of the safeguards" equipment." As for routine and random inspections pro-posed by IARA, these would depend on progress in talks now being held with the IIS and on the agency's own sti-tude, which currently was one of "partiality and injustice". ... If IARA did not repond positively to what North Korea characteriset as its goodwill gesture, it must be held accountable for the conse-

lished the text of a me

## Australia to let **Tiananmen** exiles stay

By Nikki Tait in Sydney

AUSTRALIA is to allow about 19,000 Chinese citizens, who were living in Australia at the time of the Tiananmen Square massacre, to apply for perma-nent residence, the federal government announced yesterday. They had previously been granted only temporary resi-

Yesterday, announcing a number of changes in Australian immigration policy. Sena-tor Nick Bolkus, the immigration minister, said Chinese nationals who were in the country at the time of the 1989 upheavals, and families who had joined them subsequently. would be granted permanent residence provided they met certain health and character

He estimated that about 28,000 Chinese could become permanent residents under the scheme. "We will basically give formal legal recognition to (their) status here by this decision," Mr Bolkus told a press conference in Canberra.

He said the treatment of these individuals would be outside the "normal" migration programme, but the cost to the country would be limited. "Those people are here, they're

BETTER than expected trade

figures for September yester-

day gave new heart to the Aus-

tralian stock market and dol-

lar, as investors concluded that

the country is moving out of

recession with a fairly strong

The balance of payments def-

icit in September was A\$1.14bn

(£533m) on a seasonally

adjusted basis. This compared

with a deficit of A\$1.3bn in

August, and was below most

market forecasts, which ranged

On the trade front, Australia

enjoyed a surplus in Septem-

ber, with exports up 9 per cent

to \$5.64bn, while imports rose

only four per cent, at A\$5.53bn.

This left a A\$110m positive bal-

ance on merchandise trade,

compared with a A\$151m defi-

The news caused the Austra-

lian dollar, badly buffeted in

the recent stalled passage of

the budget, to close almost one

US cent higher, at 67.29 cents

after touching 67.35 cents. On

the stock market, shares also

railled strongly, with the all-or-

dinaries index closing 20.2

Some analysts, however, cau-

points higher at 2,132.4.

cit in August.

between A\$1.2bn and A\$1.5bn.

export performance.

working here, they have very low dependence on social secu-

into the community, the fur-ther integration of them, is minimal, if anything at all." Meanwhile, asylum-seekers who arrive in Australia before applying for refugee status will also be entitled to permanent residence rather than the temporary residence they are now offered if their applications are successful, the government announced. Since 1990, people granted refugee status after they arrived in Australia, such

And a third new measure, also announced yesterday, will create a new onshore permanent residence category for Chinese nationals who arrived in Australia after Tiananmen, nationals of the former Yugoslavia who live in Australia under special humanitarian concessions. To be eligible for this category, applicants must satisfy certain age, educational and visa conditions.

rary residence permits.

Immigration to Australia dropped sharply last year, from 107,391 in 1991-92 to 76,330 in the following 12 months.

tioned that the trade figures

had been boosted by exception-

ally strong exports of gold, and

that the previous weaknesses

in the Australian dollar had

aided exporters' performance

generally. Gold exports in Sep-

tember jumped 87 per cent.
"There are still some

grounds for pessimism about the immediate future of the

current acccount," warned Mr

Chris Caton, chief economist at

Bankers Trust Australia. "The

rest of the world remains quite weak, and we may not have

yet seen all the valuation

Australian dollar."

effects on imports of the lower

• Industrial unrest looms

again on Australia's notori-

ously difficult waterfront after

a breakdown in talks between

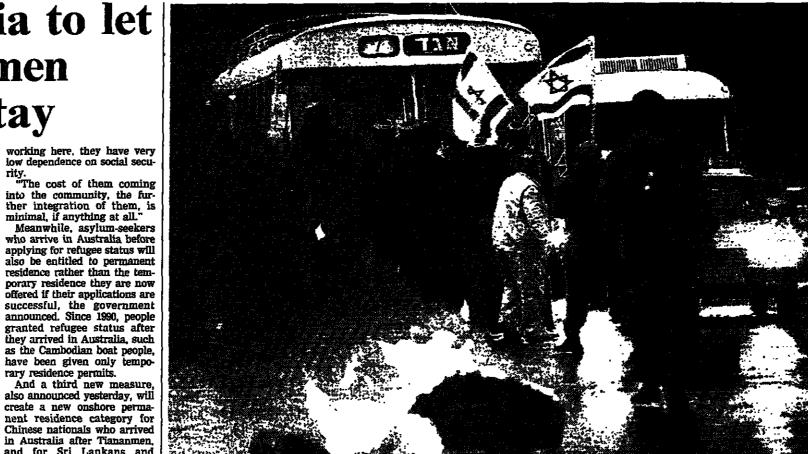
Australian Stevedores and the

Maritime Union of Australia

Trade figures for

September boost

markets, dollar



Jewish settlers from the occupied West Bank block a main road with blazing tyres yesterday to prevent Palestinians from reaching their workplaces. The settlers began demonstrating on Friday following the stabbing of a fellow settler by militant Palestinians

## Israeli poll is test for peace drive

ISRAELIS go to the polls today to vote for new municipal authorities in the first test of nationwide public political sentiment since the signing of the historic Israeli-Palestinian peace accord.

Although the 3.3m registered voters will be influenced by a range of issues from education to rubbish collection, political analysts say the poll will also indicate national feeling about the unfolding peace process. Mr Yitzhak Rabin, prime minister, has said he views the elections as a vote of confidence by the public in his

The two greatest electoral battles, and the ones which are most likely to provide a political weather vane, are in Jerusalem and Tel Aviv.

In Jerusalem Mayor Teddy Kollek, an 83-year-old veteran of Mr Rabin's Labour party, has been fighting a tough race to keep control of the Holy City against competition from Mr Ehud Olmert, a member of parliament from the rightwing Likud party.

Opinion polis show the two neck and neck after a campaign marked by personal attacks and questions about whether Mr Kollek is fit enough to stand another term

Jerusalemites, who live on the fault-line of the Israeli-Palestinian conflict, are deeply concerned about security issues particularly for the massive Jewish settlements nearby and the future status of the city.

Both candidates in Jerusalem agree on the unity of the Jewish West with the Arab East of the city and both back Jewish development of East Jerusalem

But Mr Olmert favours a much more aggressive settlement policy, with Jews moving into neighbourhoods reserved under Mr Kollek's administration for Arabs.

Palestinians say a victory by Mr Olmert would exacerbate Arab-Jewish tensions in the city and make a compromise on its final status - such as joint or international administration - much more difficult. Palestinians living in occupied East Jerusalem are divided poll, even if to do so would ensure victory for Mr Kollek.

in Tel Aviv, usually a more liberal and secular city than Jerusalem, Mr Ronni Milo, a former Likud police minister. is fighting Mr Avigdor Kahalani, a war hero from the Labour party, to succeed Mr Shlomo "Chich" Lahat, the long-time mayor.

Defeat for Labour in both cities could be a serious setback to the peace process and bolster the right-wing opposition, which has seemed increasingly divided and marginalised by Mr Rabin's

# Kuwait ponders radical action

By Mark Nicholson in Cairo

KUWAIT is considering unprecedented moves to trim a KDL5bn (£3.3bn) budget deficit for the current year, including charging fees for public services, allowing foreign partici-pation in upstream oil operations and possibly levying taxes on its citizens.

over forced redundancies. Australian Stevedores Mr Nasser al-Rodhan. announced plans to shed 317 Kuwait's finance minister, told workers several months ago. the local Al-Seyaaseh newspaper that the "decision is This led to a brief national strike in September. approved" to charge for some services, though he did not Yesterday Mr John Coombs, national secretary of the MUA, specify which, or when fees claimed the company had would begin. Kuwaitis enjoy renewed attempts to sack considerable subsidies on power, water and local teleemployees, despite agreement by some 231 workers to take Mr Al-Rodhan said the fees

would be introduced only after consultation with the Gulf state's parliament, which reconvened last week, and that

low-income Kuwaitis would be The minister also said that allowing foreign oil companies to participate with the state Kuwait Oil Company in drilling and exploration was "under study", adding: "The motives behind such decisions are economic."

Kuwait has since the Gulf war entered joint contracts with BP for technical support and Union Carbide for construction of a petrochemicals plant. But upstream activities have been kept in state hands since Kuwait became the first Gulf state to buy control of its oil production industry in 1975. Diplomats in Kuwait City said talks between KOC and some oil groups had already begun on possible opportunities, which Mr al-Rodhan said would offer Kuwait both fresh foreign expertise and, more particularly, foreign capital.

more than ever to trim outgoings in the face of a budget deficit of KD1.49bn - including statutory expropriations for the Reserve Fund for Future Generations - and under the close eye of the country's increasingly economically sophisticated parliament. The true deficit in Kuwait's public finances is almost certainly bigger than the published fig-ure, which does not include all

Kuwait's military spending or foreign debt repayments. Mr al-Rodhan said that until now and with our financial resources we can cope with the demands", but added: "The situation in the next stage will make it necessary for us to start thinking seri-The government is doing

ously of taxation." Mr al-Rodhan's remarks follow leaks in Kuwaiti papers of an International Monetary Fund report, handed to the government in late August. which recommended cuts in subsidies, shrinkage of the public sector and other revenue-raising measures, including limited privatisation. Economists in Kuwait

reckon that service fees could

# Turkmenistan leads new rouble refugees

THE CENTRAL Asian republic of Turkmenistan yesterday introduced its own currency, the manat, launching it at a value of 50 US cents and 500 Russian

Turkmenistan is the fifth of the 15 former Soviet republics to introduce a fully independent currency - and it does so as other republics prepare to leave the rouble zone, many of them complaining that the conditions set by Russia for remaining in the zone are too

strict. Estonia, Latvia and Lithuania, the three Baltic republics, each has its own currency, while the smallest central Asian state, Kyrgyzstan, introduced its unit, the som, in May. Three other republics -Azerbaijan, Georgia and Ukraine - use coupons, all of which are highly inflationary.

10,000bn and 15,000bn cubic metres of natural gas and oil reserves estimated by the government at 6.3bn tonnes, has eschewed backing - though not advice - from the interna-tional Monetary Fund, relying

Steve LeVine, Gillian Tett and John Lloyd on the launch of a new currency

than \$300m held in foreign banks to support the manat. Foreign observers in the capital. Ashgabad, expect the manat to fall to between 5 and currency trading begins on Saturday. However, Mr Valery Otchersov, the deputy prime minister in charge of the econ-omy, says that "it is simply a matter of time before the currency is accepted at other currency exchanges and traded internationally". Turkmenistan, whose regime

under President Sapurmerat Niyazov has retained tight con-trol built round a growing presidential personality cult, is presenting itself as a stable location for foreign investment. Prices for the largely state-controlled staples are to be raised and a privatisation programme - which will exclude the oil and gas sector - is also due to be launched. In spite, or because, of Mr Niyazov's gestures - such as erecting statues and portraits

of himself all around the capi-

tal and his receipt last week of a bust from Turkmen business-

men containing 1.6kg of gold -

most foreign diplomats and

observers expect the Turkmen-

istan economy to prosper. "Russia and Turkmenistan

are the only two former Soviet republics which can stand on Cherepov, the Russian ambassador. A US diplomat said that "if it follows the IMF recommendations it will have the most successful currency introduction of the former Soviet

Dissatisfaction with the rou-

ble zone may force other republics to follow. Last week, President Nursultan Nazarbayey of Kazakhstan was granted powers by his parlia-

> to Kazakhstan must be backed by its reserves of gold and hard "We made all possible concessions [to Russia], but now

ment to introduce a national

currency after a demand by

quoted by the Interfax news agency as saying at the parlia-mentary session last Thursday. An agreement signed in September between Armenia, Belarus, Kazakhstan, Russia, Tajikistan and Úzbekistan committed these six republics to remain in the rouble zone under the control of the Russian central bank, in spite of the publicly expressed scepticism of many in the Russian cabinet. However, no new Russian roubles have yet been

tral bank has withdrawn from Russia that the roubles issued circulation in Russia itself. The Moldovan government has said it is to introduce its new currency, the len, this month - rumoured to be on

delivered to the other states.

forcing them to use pre-1993 notes which the Russian cen-

## impossible – hand over billions of dollars," Mr Nazarbayev was RUSSIA .

The Wall Street securities house Kidder, Peabody has agreed to keep its headquarters and 3,000 employees in New York city in return for \$31m in tax incentives from the municipal government, writes Patrick Harverson.

fend off challenger

The firm's decision was a victory for the city's mayor, Mr David Dinkins, as the loss of Kidder would have been a blow to the city's shrinking tax base, its fragile morale and the mayor's re-election

reduced his popularity to near oblivion. Over the weekend Mrs Hillary Rodham Clinton told a Florio rally: "I cannot state how important this is, to stand by a governor who has not flinched."

in the governor's race in Virginia, Ms Mary Sue Terry, the Democrat, is still trailing Mr George Allen, Republican son of a famous football coach. Mr Allen has been vigorously supported by the religious rightwing, though the key factor may be discontent with 12 years of Democratic rule.

Changes are also expected at the helm of several large and

troubled US cities, partly brought about, as in Detroit and Atlanta, by retirement of the old generation of Democratic black urban leaders. Contests in Cleveland, Seattle and Minneapolis will be closely

So, despite its different racial composition, will be the outcome in Miami, where Mr Step-hen Clark, an older white Demis favoured over a Cuban exile and an outspoken black. Mr Clark, however, is endorsed by the outgoing mayor, Mr Adolpho Suarez.

In California, Proposition 174 would provide education subsidies, in the form of vouchers worth about \$2,600 a head, useable at private schools.

In spite of the support of for-mer President Ronald Reagan and leading national and religious conservatives, it is expected to lose today because of an effective campaign against it by Mr Pete Wilson, the incumbent Republican governor, and by Mr Clinton, But a more modest version could well carry the day in the future. In Washington state, public opinion seems evenly divided

on initiatives to curb spending.

Dinkins struggles to

#### INDIANS BRING DRILLING TO HALT AT AMAZON WELL

ABOUT 50 Indians from the Cofan tribe (pictured above), armed with spears and shotguns, forced workers at a Petroecuador site in Ecuador's Amazon forest to stop drilling last week, in a protest at planned oil exploration, writes Raymond drilling at the well in the Cuyabeno nature land.

Colitt from Quito. The Indians later agreed to a temporary resumption of the exploratory work if Petroecuador's director came to the area for further negotiations. President Duran Ballen authorised

reserve in September, but the work has since been surrounded by controversy over its impact on the area's indigenous groups. The Cofans are opposed to the building of an access road through their

## President's loose talk worries Guyana businessmen

moment, between the office of Guyana's President Cheddi Jagan and the city council of Georgetown, the capital, which is dominated by the opposition party. Mr Jagan recently referred to the

By Jurek Martin in Washington

MR Rudolph Giuliam, the

Republican-Liberal candidate,

remains the slight favourite to

oust Mr David Dinkins, the

Democrat, as mayor of New

York today in the most eye-

catching of dozens of elections

The latest polls put the two

men on a virtual dead-heat, but this may understate support

for Mr Giuliani, the former fed-

eral prosecutor. Four years ago

Mr Dinkins beat Mr Giuliani

by only 2 per cent, having

taken an apparent double-digit advantage into polling day.

city's minorities, especially

In other closely watched races, Mr James Florio, Demo-

cratic governor of New Jersey, still leads Mrs Christine Todd

Whitman, the Republican chal-

lenger, though by nothing like

the 10-15 point margin he was

This race is seen as a mini-

referendum on the policies of

the Clinton administration,

Both President Bill Clinton and

his wife have campaigned

actively for Mr Florio, whose

tax increases three years ago

accorded two weeks ago.

blacks, will be pivotal.

Voter turnout among the

across the US.

councillors as "rascals". The councillors said they did not fit the dictionary's definition of the word, and asked for a public apology from the

president. They got it.
But some of Mr Jagan's public statements are leaving a more lasting and confusing impression. He has described his own administration as a "working class government guided by the ideology of the working class, which is Marxism-Leninism...and not the philosophy and practice of capitalism".

The statement created some consternation among local and foreign The former Marxist is confusing investors, reports Canute James

business, which had happily accepted Mr Jagan's undertaking to continue with the open market eco-nomic policies which he inherited a year ago when his People's Progressive party won an election and ended 28 years of government by the

People's National Congress.

Mr Jagan's later elaboration - to the effect that while the PPP was guided by Marxism-Leninism, the government which it had formed was not - did not temper concerns about the real direction of economic policy in the English-speaking country of 850,000 people on the north-east shoulder of South Amer-

"We in Guyana understand Presi-

The second of the contest of

dent Jagan, and we do not take this statement seriously, but people outside the country will," said Mr Hans Barrow, president of the Chamber of Commerce. "We have simply elected a leader who speaks like this."

Mr Barrow said, however, that local business leaders would understand why foreign investors and potential investors would be worried, and would wait before commiting themselves when the president made such statements about ideology. He said there must be a two-way flow of business confidence. Dr Jagan, a 74-year-old dentist and once an avowed Marxist, moved towards moderation just before tak-

The concern among local business leaders is that, although such statements about ideology might not reflect the government's economic policy, they could derail the expansion of an economy which, by any standard, has been doing remark-

Several consecutive years of contraction ended in 1991 with growth of 6 per cent. According to Mr Asgar Ally, the finance minister, the growth contin-

ued into the first half of this year, and he has forecast expansion of 7.8 per cent for this year. Mr Ally said this was the result of expansion in mining and agriculture. Once-billowing inflation is projected at 6 per cent this year, helped mainly by stability of the currency following a 64 per cent depreciation which followed the floating of the currency in 1991.

Mr Ally said higher export receipts, foreign investments and funds for balance of payments support had led to an improvement of \$52.4m in net international reserves in the year ended last June.

All this has not impressed the opposition PNC, which described the government's first year as "a failure". Mr Desmond Hoyte, the opposition leader, said the economy had lost its momentum and vibrancy. "Business confidence has receded. there has been no new major investment, vital development projects initiated by my administration have been stalled, and ... there is a marked paucity of disbursements from international financial institutions," he said.

"There have been 33 new private investment projects valued at \$26.1m in agriculture, mining and financial services since the government took office," argued Mr Ally.

There is continuing uncertainty. however, over the government's commitment to the programme of divestment of state enterprises inherited from Mr Hoyte's administration. It suspended the programme soon after taking office, saying it would investigate earlier deals. Mr Ally has since said the government is committed to divestment, and has listed 30 companies, including the national airline and the sugar company, which it wants to sell.

## **Salinas** calls for civility in elections

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas yesterday called on all Mexico's political parties to sign a pact of civility to ensure "transparent and exemplary"

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August.
In his annual state of the nation address, President Salinas promised the contenders full respect, abiding by the terms of the law, and proper conditions for them to present their options to Mexicans in full freedom".

Mexico's 1988 presidential election, which brought Mr Salinas to power, was widely held by observers to have been marred by ballot-rigging.

Mr Salinas's government has recently passed new demobeen dismissed as inadequate by the main opposition candidate, Mr Cuauhtémoc Cárdenas, and some foreign and domestic observers.

Despite the call for an electoral pact, Mr Salinas suggested there would no more significant concessions

to the opposition.

The president appeared to rule out the possibility of foreign observers participating in the electoral process, saying "only Mexicans" would be the guardians of "our" democracy. The president announced

that Mexico's reserves rose to \$23.017bn at the end of October, from \$22.597bn. The high level of reserves seems to dispel fears that there has been an outflow of capital provoked by uncertainties over the North American Free Trade

The executive branch is due soon to send the Mexican Congress legislation that will make the central bank inde-

The legislation may be in place, and possibly the head of the bank named, before the vote on Nafta expected on November 17 in the US Con-

#### **CONTRACTS & TENDERS**



# **ESTONIA**

International Tender for the sale of

## INDUSTRIAL ENTERPRISES

by the Estonian Privatization Agency

Enterprise number, name, location (in brackets: type of business/number of employees at June 1993)

[Capacity/tumover in EEK per year] EE-021 RAS Sailis Vitjandi Plant

EE2900 Viljandi (Fruit and vegetable preserves [5 mio pcs], canned meat [2.5 mio pcs]/100) EE-027 RAS Balti ES

EE2000 Narva
(Turbomolecular vacuum pumps, remote
gumma ray therapeutic apparatus, mechanical
manipulators, radioisotope thermoelctric generators, measuring devices, plastic parts/700)

EE-094 RAS Viru Sikrup EE-2200 Kadrina, Lääne-Virumaa (Syrup [7-200 t], starch [processing of raw potatoes 30,000 tons]/49) EE-333 RAS Voru EPT EE2710 Parkseps, Vôru Maskond (Peat production [peat fields 1,261 ha], metal processing, services/134)

EE-436 RE Raasiku Elekter EE2250 Raasiku, Harju Maakond (Electrical control cabinets (3 mio EEK/89)

EE0014 Tallinn (Maintenance of electrical household appliances (2.2 mlo EEK)/76) EE-439 RE Tallinna Helikasselilehas Manutacturing of recorded music tapes (5 mio pcs]/27)

EE-469 RAS Harju Astaltbetooni tehas EE2270 Lagedi (Asphalt [29,000 1]/74)

EE-470 AAS Tartu Astaltbetooni tahas (Asphalt [150,000 t]/69)

CONSTRUCTION INDUSTRY [Capacity/turnover in EEK per year)

EE-298 RAS Elamu EE0107 Tallinn (Pre-cast concrete, construction of panel

houses, structural metal products, warehouse for construction materials (pre-cast parts 200,000 cbm)/489)

FE-300 RAS Narva Ehitus EE2000 Narva (Construction works [turnover 20 mio EEK]/315)

EE-301 RAS East Vesichitus EE0017 Tallinn (Hydrotechnical construction flumover 22 mio EEK/285)

(Concrete products [600,000 cbm], mineral wool (460,000 cbm], metal products, building construction, rental of machinery and equipment for construction/89)

EE-318 RAS Easti Rannaehitus EE0003 Tallin (Harbour asphalting [500,000 sqm]/48) EE-326 RE EMET

(Construction of sewage networks, civil works flaying of 100 km pipes), renting of machinery

EE-386 RE Siltaehitusrong nr. 423 EE0001 Tallinn\* (Construction of bridges [300-500 m], freeways nd tunnels/148)

EE0014 Tallinn (Construction of railways [40 km], general construction/100) EE-401 VE Bark (Pre-cast concrete products [30,000 cbm], structural metal parts, reinforced concrete parts, ready-mixed concrete and mortar/158)

EE2400 Tartu (Road construction [20 km road surface, 6 km WOOD AND WOOD PROCESSING

[Capacity (S = Sawn timber, L = Logs) per year] EE-405 RAS Aegviidu Metsamajand EE2230 Aegviidu, Harju Maakond (Logging and transport, sawn timber, wooden articles (S 3,500 cbm, L 15,000 cbm/83)

EE-406 RAS Alutaguse Metsamajand EE2032 lisaku, Ida-Viru maakond (Logging and transport, wood processi

woodprocessing services (\$ 3,000 cbm, L 20,000 cbm]/64) EE-407 RAS Elva Metsamajand EE2442 Elva. Tartumaa (Timber trading, wood for paper production, sawn beams, firewood, sawn timber

[S 7,000 cbm, L 20,000 cbm]/78) EE-408 RAS Hiiµmaa Metsamajand EE3200 Karda (Wood trading, sawn timber, wooden construc-tion components, wooden articles, turniture [\$ 6,000 cbm, L 20,000 cbm]/70)

EE-410 RAS Kilingi-Nomme Metsamajand EE3622 Marana, Saarde vald, Pamu Maakond (Logging and transport, sawing and planing of wood, wooden articles, wood chips [S 4,000 cbm, L 10,000 cbm]/147) EE-411 RAS Kohita-Järve Metsamajand EE2045 Kose, Ida-Virumaa Maakond

(Logging, firewood, sawn timber [S 4,000 cbm, L 8,000 cbm]/77) EE-413 RAS Mahtra Metsamaiand

EE-418 RAS Saaremaa Metsamaland EE3300 Kuressaare (Sawn timber, firewood, sawdust, furniture, wooden products, transportation (\$ 3,500 cbm.

EE3422 Hageri, Rapia Maakond (Logging, sawn timber, windows, garden cottages [S 6.000 cbm, L 10,000 cbm/49)

EE-419 RAS Soure-Jeani Metsamaiand EE2910 Kõidama, Viljandimaa (Timber trading, sawing and planing of wood, wooden cottages, wooden articles, retail trading, transportation [S 8,000 cbm. L 20,000 cbm, 200 cottages/142)

December 16, 1993 Closing date:

EE-420 RAS Puiteks EE-0012 Tallinn (Sawn timber, souvenirs, shelves, woode cases, summer cottages, timber trading,

transportation (S 3,000 cbm, L 10,000 cbm)/49) EE-422 RAS Tudu Metsamajand EE2060 Sonda, Ida-Viru Maakond (Wood processing, timber trading |\$ 3,000 cbm.

EE-423 RAS Valgamaa Metsamajand EE2500 Valga (Sawn timber, wood processing [S 4,500 cbm. L 20.000 cbm/83)

WHOLESALE / TRANSPORTATION

[Turnover in EEK per year] EE-217 RAS Eesti Tekstuit EE0006 Tallının (Textile wholesale (store 2,700 sqm, warehouse

EE-245 RAS Tameks EE0014 Tallinn (Office equipment, eletronics wholesale (warehouse 11,000 sqm. 28 mio EEK) 60)

5,000 sqm, 34 mio EEK] 70)

EE0006 Tallinn

116 mio EEKJ\(\bar{\gamma}\)71)

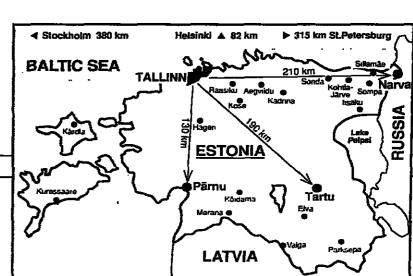
EE-246 RAS Eesti Rôivas EE0006 Tallinn lesale (2 awn shops, 2 rented shops, 33 mio EEK(190) EE-254 RAS Estjal

(Shoes wholesale [1 rented shop, 17 mio EEK]:

FF-257 RAS Linwersaal (Textiles, shoes wholesale [24 mio EEK] 58) EE-260 RAS ABT EE0014 Talkinn (Food wholesale [warehouse 30,000 sqm,

85 mio EEKJ/225) EE-269 RAS Ida-Virumaa Kaubabaas EE2020 Sompa, Kohtla-Järve (Food- and agricultural raw materials wholesale

EE-446 RAS Kopli Autobaas EE0017 Tallinn (General transportation [227 lorries, average carrying capacity 7 t, 9 mio EEKV166)



Tender Conditions

 In accordance with its legal mandate, Eesti Enstamsagemuur (Estonian Privatization Agency

 Total accordance with the attention agency "EPA") intends to sell the atorementioned en pases by means of a tender in the following man-

 a) bids for a state owned joint stock company (organized as "RAS" under Estoman law) must be for the majority of the company; b) bids for a state owned enterprise (organized as

"RE" under Estorian law) or a small state owned

emergine (organized as "VE" under Estonian law) must be for its total operations; c) bids for a plant must be for its total assets (e.g. buildings, leasehold, equipment and invento with inventory finally to be valued as of the time

for a separable unit of a RAS. RE. VE or plant. with inventory finally to be valued as of the time The tender is public and anyone may bid. Logal embles in which the State of the Republic of Esterna or its local municipalities or a municipality

d) bids for assets or parts of an enterprise must be

or state owned enterprise own one third or more of the share capital or of the voling rights may not bid. 3. In deciding among the bids, EPA will take into consideration, among other things, the bid price. promises to maintain or create jobs, pledges to invest, and the business plan submitted, each of which will be considered part of the bid. Upon required to post a bond in order to guarantee these

4. Interested parties can obtain enterprise and plant profiles without charge from EPA. EPA is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from EPA to visit the enterprises or plams on the basis of which addition information will then be provided by the enterprise or plant management.

Bids must be in writing and should be submitted in the entorprise or plant for which the bid is submit EE0105 Tallinn, Esionia, no later than 2:00 p. m. date") Bids will thereafter be opened immediately Bids must be decreased.

valid for one hundred and twenty (120) days after the closing date 7. Bids must be accompanied by a bond of five (5) percent of the bid price in the form of an irrevocable bank guarantee valid for one hundred and twenty (120) days after the closung date. The bid bond must be payable on first demand and will be fortested if the bidder oftner tasks to hold its bid occur

in accordance with its bid. 8. EPA will decide on the bids within one hundred and twenty (120) days after the closing date. Bidders may present their bid within a period set by EPA. EPA is not bound to accept any bid. EPA may accept a bid other than the highest and may reject any of the bids at any time.

The render will be carried out according to applicable Estonian law

EPA (Estonian Privatization Agency) Dr. H. B. Schmidt Vázno Sarnet Office hours for the EPA are Monday through

Friday from 9 a.m. until 4 p.m. (local time).

For further information (enterprise profile, data on Estonia, visit authorization) please contact:



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## Fiat gears up to boost Polish operation Azerbaijan in

Correspondent, in Krakow

FIAT, the Italian carmaker, is to expand its operations in Poland, with the local assembly of its Uno small car set to

start early next year. Initially Fiat will carry out the final assembly of the cars at its plant at Bielsko Biala in southern Poland from SKD (semi-knocked down) kits supplied from Turin.

The Italian group, which has established a dominant posi-tion in the Polish car industry

following its takeover last year of FSM, the former Polish e-owned car producer, will supply fully welded and painted Uno car bodies and other important components from Italy.

Production of the Uno is planned to begin in January, with output likely to total around 20,000 in 1994. Fiat is also conducting a fea-

sibility study into the building of a new paint plant at its out-dated Bielsko Biala factory as part of its plans to invest

The new paint plant would allow the assembly capacity of the Bielsko Biala factory to be raised and would enable Uno production in Poland to move later to more sophisticated full CKD (completely knocked down) kit assembly, in which the Uno car bodies would also be welded and painted in

Overail Fiat car production in Poland this year is expected virtually to double to around

according to Mr Paolo Marin-sek, managing director of Fiat Auto Poland

Fiat's takeover of FSM, which was originally agreed with the Polish authorities in May last year, was finally completed six weeks ago, when the Italian carmaker assumed full operating control in the biggest privatisation deal ever reached in Poland and one of the biggest ever undertaken in eastern Europe.

The former FSM, which has now been renamed Fiat Auto Poland, is Fiat's sole produc-

ture and top-range household goods are all doing well. They

are competing less on price than they are on brand labels,

lesign and quality.

close to 60 per cent.

compared with a L3,995bn defi-

cit in the same period in 1992. A similar trend was evident

with France its second trade

partner and to a lesser extent

Italy's real exchange rate is

its smallest cars, the outdated 126, which is sold only in Poland and the Cinquecento which has been launched in the last 18 months for sale throughout Europe.

Fiat's strong local produc-tion presence had also allowed it to raise sharply its share of the Polish market for imported The Polish new car market

was expected to total more than 200,000 this year compared with 198,000 in 1992 and Fiat expected to account

for around 55 per cent of all new car sales compared with 39 per cent last year he said.

It expected to control around 31 per cent of all imported new cars and 65 per cent of sales of

domestically produced cars.

Overall Fiat production in Poland should be running by December at 1,090 cars a day (280,000 a year) at its two plants, compared with 850 at the end of 1992 and only 350 a day in September 1991, when it began the restructuring of the FSM operations.

# Caspian Sea oilfields deal

AZERBAIJAN has agreed terms with a consortium of western oil companies to develop oilfields in the Caspian Sea, in a contract worth more than \$70n.

An official for the consor-tium, led by British Petroleum, Statoil of Norway and the US companies Unocal, Pennzoil and Amoco, confirmed yester-day that an agreement in prin-ciple had been signed in Baku to develop the Azeri and Chirag fields.

The agreement was initialled by the team set up by the Azeri authorities and the consortium members. It still has to be ratified by the Azeri parliament and approved by the govern-ment, but it would appear to end months of deadlock as the Azer government of Mr Gardar Aliyev sought to renegotiate the contract terms. It is understood the consortium will split the proceeds with the Azeri

authorities on a 20:80 produc tion-sharing basis, after development and loan costs have been deducted. The larger share would go to the Azeris. The consortium is to pay the Azeris a signature bonus of \$500m, half paid when the agreement is ratified by parliament, the rest when an export

pipeline deal is finalised. The two fields, which are expected to be in production by 1996, comprise about 3bu barreis of known reserves.

The original negotiations included a third field at Gunashli, which is already in production and operated by Socar. the state oil company. Gunashli accounts for close to a third of Azerbalian's current total output.

The latest deal will spur negotiations about a possible export route for the oil. Turkey is urging Baku to use a pro-posed pipeline to its Mediterranean coast, avoiding conges-tion in the Bosporus if the

## Lloyd's to study **Bosporus safety**

By John Murray Brown

LLOYD'S Register of London has been commissioned by a group of western oil companies to study shipping safety in the

Lloyd's confirmed it had been commissioned by unnamed US oil concerns to present findings on environ-mental and navigational safety by mid-December as western oil companies expanding in Azerbaijan and Kazakhstan seek Turkish government support for an early decision on

The latest move is apparently aimed at assuaging findish concern at the dangers posed by the projected increase in tanker traffic.

Separately, a study by Murray & Fenton of London commissioned by the Turkish-led that limited increases in tanker traffic could be accommodated with a new radar system. The Turkish Transport Ministry has an outstanding tender for a computerised system, for which Marconi of the US and Thompson CSF of

## Devaluation – and Asia – lift Italian exports

Robert Graham on a remarkable expansion into the newly industrialised countries

has the rare distinction of possessing the one problem-free portfolio in the Italian government. As minister of foreign trade, he is presiding over the most remarkable export growth any industrialised country has seen

in the past two decades. On average the value of exports in the first half of the year is up 19 per cent compared with the same period in 1992. They are also up more than 7 per cent in volume terms.

The growth is across the board. Italian exporters have been quick to switch away from the stagnant markets of the main industrialised economies into the fast growing economies of Asia and Latin America, But thanks to the free float of the lira, which has seen it depreclated by about 20 per cent since September 1992, Italy has also managed to increase its share of EC markets, notably in Germany.

One reason for the sharp rise is the fact that exporters are no longer under-declaring sales in the wake of the lira devaluation. In the two previous years exporters had taken advantage of an over-valued lira to under-

"Devaluation obviously has been important but I don't share the view that this is the

R PAOLO BARATTA sole reason," says Mr Baratta. has the rare distinc- "One has to ask why British exports, which have enjoyed a similar competitive advantage from devaluation at the same time as the lira, have not performed nearly as well ' Among the strongest sectors of Italian exports have been

technology makes it easier to train people, both on the spot and in intensive sessions. China is a case in point where exports this year are set to double to more than L4,000bn (£1.6bn), accounting industrial machinery and for nearly 3 per cent of total

for machinery is rising expo-

nentially. Their less complex

If the trend continues, exports to the EC will be outstripped by shipments to other markets

mechanical goods, the core of which are machine tools. This industry, which has shrunk in the UK for instance, has remained well-rooted in central and northern Italy.

"These are not big groups producing very large sophisti-cated machinery like the Germans and the Japanese; but they are small and mediumsized, very flexible and ideal for finding niches between what the Germans and Japanese can offer," says Mr Bar-

He believes both the size and flexibility of Italian engineering groups adapt well to the specific needs of the fast modernising economies of the Far East, where the demand

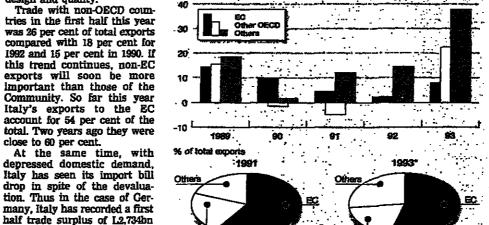
exports. The bulk of this is accounted for by machine tools and engineering goods, especially machinery for the textile industry.

Such are the business prospects in China that the ministry, in conjunction with its Chinese counterpart, is to set up a series of "base camps" there. These will be geared to small and medium-sized exporters, offering them space near industrial zones for logistical support, parts storage space and training facilities. There is also strong demand

now back to the level of the 1970s, when the current account was broadly in balance. In the latter part of the 1980s and in 1990-91 exports for Italy's consumer products as a result of the new income lost their momentum and the being generated in the fast trade balance deteriorated. The growing economies. Clothing, annual growth in 1991 exports shoes, luxury goods and furni-

with the UK.

Italy: exports



This reflected a combination of an over-valued lira and a period of sustained highincreases in production costs, especially wages. Having long risen above inflation, wages for the past two years have been below inflation in the main manufacturing sectors. So far this year wage rises have been

## Texan to invest DM550m in new Berlin complex

By Judy Dempsey in Berlin

held down to at least one per-

centage point below inflation.

which has averaged 4.4 per

cent a year. Exporters believe

an agreement with the unions

in July, which abolished the

indexation of wages and linked

rises to productivity, has intro-

PROMINENT Texan building a new office, hotel and residential complex in the heart of Berlin's cultural centre despite the federal government's repeated delays in moving the entire administration

to the capital. Hines Interests Limited Par-tnership, which has been responsible for complexes ranging from Postal Square, Washington, to the 30th Street Station, Philadelphia, will develop the area around the Gendarmenmark. Now east Berlin's cultural centre, it was the city's banking quarter before the second world war.

This is the first time Hines has moved into the European property development market. Mr Gerald Hines, its chairman, said Berlin provided "a unique opportunity. This is an untapped sector. It is also a crucial axis between eastern and western Europe. There is no other city which offers so much

By Quentin Peel in Bonn

GERMAN consortium

headed by the big plant con-tractor SMS Schloemann-Sie-

mag has won the contract for a

DMIbn (\$604m) steel plant at

Magnitogorsk, in the heart of Russia's Urals steel industry.

have a capacity of about 2m

tonnes of sheet metal a year,

and will come into production at the beginning of 1997,

according to an announcement from SMS company head-quarters in Düsseldorf yester-

day.
The 10-member consortium the engi-

includes Siemens, the engi-

neering conglomerate, Hoch-tief, the Essen construction

company, and MAN Gutehoff-

nungshitte, as well as Magni-tostroy, the construction com-

pany in Magnitogorsk.
The contract is worth

DM300m to SMS, which has

The cold reduction mill will

Germany wins

Russian steel

plant contract

In addition to developing over 50,000 sq metres of property on 8,400 sq metres of land, property developer will invest the company has been chosen more than DM550m (£223m) in by Sony to design the interior of its new European headquar ters on Potsdamer Platz, which straddled the eastern side of the Berlin wall.

Unlike other property developers who arrived in Berlin after the wall was pulled down four years ago this month, Mr Hines has not encountered big difficulties over outstanding property claims. Instead of dealing with each individual case, the company bought the entire property from the Senwhich in turn will compensate any claimants.

Since 1990, property developers have already invested DM11bn in this part of the Mitte, or centre of old Berlin. The other prominent develop-ers include Tischman Spier, which is building a Galeries Lafayette shopping and office complex, and the American Business Centre backed by Mr Ronald Lauder, heir to the US cosmetics magnate.

drop in profits for 1992/93, to DM39m on a turnover of

DM1.968bn, because of the

worldwide slowdown in investment plans, especially in the

The company is involved in three other big projects in Russia, including another cold reduction mill (with Siemens)

at Novo-Lipetsk, the moderni-

sation of a hot rolling mill at Novo-Lipetsk, and the moderni-

sation of an aluminium plant

A spokesman said yesterday that the contract was on a cash

basis, and would be financed

by revenues from steel exports of the Magnitogorsk Metallurgical Kombinat (MMK).

It does not have any export credit guarantees from Hermes the Comment of t

mes, the German export credit

with production capacity of

steel industry.

at Samara.

## Speed up talks, says Gatt director

MR Peter Sutherland. director-general of the General Trade, yesterday urged the 116 nations taking part in the Uru-guay Round of trade liberalising talks "to speed up progress in the negotiations" in order to conclude the round by the agreed deadline of December 15.

Pointing out that there were only 45 days left, he told the top-level trade negotiations committee that he believed it was "still within our grasp". However, he warned against leaving too many unresolved issues on the table for the final phase of the negotiations. Talks on improving access to markets for farm and industrial goods have made slower

progress than hoped. Mr Sutherland said there had been some positive moves over the past month but critic-ised the "lamentable failure" of the Quad nations – the US, the European Community, Japan and Canada – to nail down the details of the tariff-cuiting package agreed in principle in Tokyo last July. He said the Quad, especially the US and EC, had a particular responsibility to provide leadership in the market

"Mutual recrimination is neither useful nor helpful," he

Trade officials present at the meeting said a number of dele-gations had also lambasted the US for creating other difficulties in the negotiations

They were particularly criti-cal of Washington's intention to take a blanket exemption for taxation under the proposed services accord, which would allow it to discriminate against foreign companies in tax matters in breach of funds

mental Gatt principles. The US also came under fire over financial services, where it plans to bar Japan and developing countries from improved market access to its banking and insurance mar-kets, and over its opposition to a strong Multilateral Trade or a strong multilateral Trade Organisation to succeed Gatt. Under the present negotiating schedule, the hope is still to have "a well-defined approximation of the content, size and final shape of the overall market access package by November 15" clearable.

16m tonnes and a workforce of 65,000 people, MMK is one of Russia's biggest steel makers. by November 15", alongside revised texts on the MTO and

If you're considering relocating, consider this. In Telford, you'll find a willing, multi skilled workforce whose journey to work won't be plagued by traffic, train strikes or the '8.24' turning into

What you will find is a population of young people (we have a workforce that's growing at eight times the rate of the national average) who can travel into your office or factory unimpeded. Thanks to an internal road system most commuters would give their right wheel for.

We've over 800 kilometres of fast, scenic roads and only four sets of traffic lights, not to mention our very own motorway.

Which makes journeying out of Telford every hit as easy. Most major cities are just a comfortable

drive away, as are the International airports. But our workforce is not just fresh arriving at work, it's open to fresh ideas too.

A myriad of companies from around the world mean new working practices and shift patterns (not to mention tomorrow's technology) are the norm in Telford, not the exception.

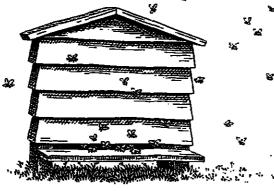
And you would expect a growing high tech town like Tellard to have a thriving training sector.

In fact it has one of the largest Information Technology Centres in the UK, a new multimillion pound university and colleges geared up to provide customised training.

But it's not all work and no play. Telford has a 450 acre town park, (the largest in Europe), swimming pools, golf courses, ski slopes, an athletics track, sports centres, a cinema, bowling alley, ice rink and more besides.

All in all Telford is both commercially and socially a hive of activity, with everything you'd expect to find in a big city.

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Call David Rogerson and his team on 0952 293262

By Alan Cane

phone bills.

BT is cutting the cost of

weekend phone calls for its

subscribers from December 4

and reducing certain business

rates in a parcel of tariff changes which should take about £125m off the nation's

Mr Michael Hepher, BT group managing director, said

further reductions were in

prospect, including a version of

a US offering "Friends and Family", where discounts are

given on frequently dialled

He refused to make any pre-

Plan to

revive

**Ealing** 

By Raymond Snoddy

AMBITIOUS plans were

announced yesterday to revive

film-making at the home of classic British films such as

Passport to Pimlico, Whisky Galore and Scott of the Ant-

The new owners of Raling

Studios - where nearly 100

films were made between 1929.

and its purchase by the BBC in

1957 - hope to use Business

Expansion Scheme funds to

make it a fully operational

studio again. The aim is to

produce up to 10 films a year.

Balcon, the most famous

Ealing producer, the BBC

made television programmes

there, including The Singing

Detective, Fortunes of War and Colditz.

group, which owns scenery

lighting and special effects

companies, bought the studios

from the BBC for £6m last

"We have a huge responsi-bility here. When we're not aware of the ghost of Michael

Balcon, the shadow of the BBC looms large. Some of their greatest work was done here,"

The group hopes to raise £750,000 to develop Ealing movies. The BES scheme

allows tax-free investments

The studio has entered into

a trading relationship with Screen Partners, which will

provide deficit finance for the films to be produced there.

Although BES funds have

been used to help finance films

Ealing Studios said yesterday

this was the first studio-based development fund BES cover-

ing as many as five or six new

The money will be invested

in Ealing Studios Productions and investors are being prom-

ised stakes in a "varied five-

Mr Alan Latham, the managing director of Ealing Stu-dios said he wanted "to recre-

Last night Hollywood direc-

tor Martin Scorsese paid trib-ute to the effect of the Ealing

year portfolio of films.

ate Ealing's finest hour."

influence on his career.

Mr Bill said

Mr David Bill's BBRK

After the era of Sir Michael

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Management Company (MINT)
specialises in the futures and currency markets and has more than 12 years trading experience. Over this period, MINT's performance index shows a compound annual raise of return of \$1.4%

Financial 2005, is targeted to achieve substantial medium-term capital growth by trading an international portfolio of global financial markets.

• The Promoter The E D & F Man Funds Division has immerted more than 50 funds with USS 1 billion dollars under advice. The Guaranter Barcleys Bank PLC provides a guarantee\* of the return of investors' initial investment for Units beld at maturity in May 2005.

Analysts said the cuts reflected stiffening competition, tight price controls and lower inflation. BT, the UK's largest telecommunications carrier, is bound by the terms of its licence to

keep its main charges at least 7% per cent-below the rate of inflation: With inflation running at about 1.2 per cent this year, BT has to find imaginative ways of

diction about the effect of the cuts on BT's profitability, arguing that the company was due to report its half-year results within a few days.

cutting its prices overall by

some £500m. The price cuts were generally welcomed. The Telecommunications Users Association

BT cuts £125m off UK phone bill

said the new tariffs show that BT is taking seriously the influence of new competitors in the telecommunications marketolace. The TUA would continue to lobby for time-based tariffs

rather than BT's existing 4.2p

basic unit method. Mercury Communications. the rival telecommunications, carrier said the changes were a response to Mercury's own residential pricing initiatives and

The price changes BT announced yesterday are heavily biased towards residential subscribers. A permanent national weekend rate is being introduced which will bring price reductions of up to 60 per cent. A three minute call which would have cost between 15p and 25p at the old rate will cost 10p. Public payphones and BT chargecards are included in the new scheme.

BT says its rates are now very competitive internationally. A three minute, 100 mile call at the weekend will cost 8.4p compared with 40.24p in

Germany, 25.09p in the US and 18.47p in Australia.

In the private circuit business, BT has to meet new price controls which limit overall price changes to the rate of inflation. Kilostream rentals are being held and connection charges for Megastream digital circuits will be cut from \$3200 to £1650.

Analogue services will per cent on rentals and 25 per cent on connections. Mr Hepher said Kilostream circuits could be implemented in two weeks and Megastream cir-

#### Britain in brief



#### Shipping freight market to relocate

increase by an average of i.i . The Baltic Exchange, the home of London's shipping freight market, is to sell the freehold site of its listed building and move to alternative accommodation in the City of London.

The exchange will also look t proposals to develop the building, which was badly damaged in an IRA bomb attack in April 1992, as a joint

A spokesman said that the 91-year-old exchange, which is sometimes referred to as the "cathedral of shipping", no longer meets the needs of the 620 companies which are mem-

The decision to leave the building follows a decline in the exchange's fortunes over the last 20 years.

#### Amec wins oil contract

BP Oil has awarded Amec Engineering a 950m contract to install new equipment at its refinery at Grangemouth, Fife, which will enable the complex to meet new European Com-munity standards for sulphur content in diesel fuel.

The installation of the hydrofiner will allow the refinery to reduce the sulphur content of its diesel fuel from 0.2 per cent by weight to the new EC standard of 0.05 per cent by 1996. About 250 construction jobs will be created. Meanwhile Hamilton Oil

awarded the first big contract

for the Liverpool Bay oil and gas development. THC Fabricators of Hartlepool won a £45m contract which includes construction of a 7,500 tonne central processing deck and associated equipment

#### Belfast airport sell-off closer

The privatisation of Belfast International Airport took a step closer to realisation when the government issued invitations to "pre-qualify" as a potential purchaser.

Pre-qualification applications must be submitted by December 1 to Touche Ross, the accountancy firm acting for the department of the environment for Northern Ireland. There will then follow a two month assessment and screen-

ing of applicants. Those that

qualify should then be able to

bid to take over the airport by September 1994. Belfast International is the UK's seventh biggest airport by passenger numbers and third biggest by freight.

In its last full year, the airport generated a turnover of £23m with after-tax profits of £2.5m by serving more than

#### Names fail in US case

A group of US Names - the individuals whose assets sup-port the Lloyd's insurance market - failed in their attempts to have a case against the insurance market's author ities heard in the US. The US Supreme Court yesterday refused to hear an appeal by a group of more than 100 Names who alleged Lloyd's breached US securities laws. The Federal appeals court in New York had already ruled that the Names should pursue any legal action in the UK courts.

The group of US names had claimed that the market's

authorities, along with some syndicates and brokers, had breached US securities law by failing to disclose liabilities on pollution and catastrophe-related policies. The Supreme Court did not rule on the strength of the claim, but said that the agreements signed by the Lloyd's names required them to pursue their case in the UK under British law.

#### Fishermen reject code

Fishermen rejected signs of a partial climbdown by the gov-ernment over its plans to restrict the number of days they can spend at sea from

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next January. The National Federation of Fishermen's Organisations, which began its High Court application for judicial review of the new limits, sald the government was suggesting only minor alterations and not abandoning the policy.

Mr Michael Jack, fisheries minister, said the government would announce changes to plan once the High Court

challenge was over.
But the NFFO said the government had indicated it would exempt some fishing groups from the restrictions and increase the minimum number of days at sea for

some vessels. Mr Richard Banks, NFFO chief executive, said the government appeared to have paid no more than lip service to the organisation's alternative proposals for conserving fish.

#### W Germany coal order

British Coal is asking for a government subsidy after sec-uring an order to export 50,000 tonnes to Stadtwerke Bremen in west Germany.

It is on course to export 1m tonnes this year against 600,000 tonnes exported last year.



To mark National Library Week the British Library's Reading Boom at the British Musuem was opened to the general public for the first time since it was built in 1857. Bart Smith, an early visitor, browses among the volumes where many famous writers, including Karl Marx, once worked. The library, founded in 1753, holds 10m books and is used by academics from around the world.

# 'Green' farming

new measures for environmentally sensitive farming and support for traditionally hard-

pressed hill farmers both under threat.

Conservationists and farmers are concerned that the start of the so-called agri-environment programme, unveiled only

now being told a delay is on

for Mrs Shephard, who has committed herself to ensuring "green" policies in farming.

# budget threatened

NEXT YEAR'S agriculture budget is likely to suffer significant cuts as a result of the public spending round, with

The bulk of the Ministry of Agriculture's £2.77bn budget for next year goes on Common Agricultural Policy spending and cannot be touched. But the Treasury is expected to target the domestic part of the bud-get due to reach £826m.

three months ago, may be put off for a year.

Mrs Gillian Shephard, agri-

culture minister, last month refused to confirm that the new programme would escape the spending squeeze and con-

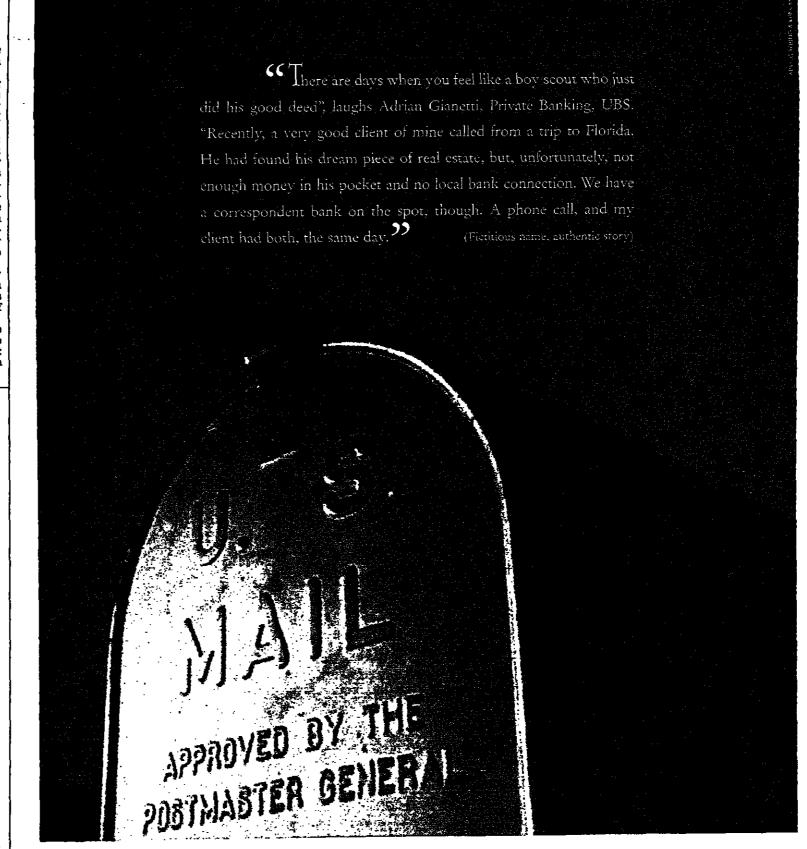
**MINT Targets Financials** 

the cards. That would be embarrassing

> more widespread adoption of The programme, due to cost 230m over three years, is part of the reforms of the CAP agreed by EC member states last year. It includes the creation of six new environmentally sensitive areas, where farmers will be paid for such measures as reducing the number of grazing animals or allowing fields to revert to

Hill farmers are worried they could see further sharp cuts in government support payments to them after a reduction of £20m last year.

Payments, which amount to about £130m this year, go to 66,000 farmers in difficult upland areas, particularly in Scotland and Wales.



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- The following timetable is to apply:
   SALE OF TENDER SPECIFICATIONS: Between 4th October 1993 and 7th january 1994.
  PRICE OF TENDER SPECIFICATIONS: U\$S 20.000.-

  - OPENING OF DATA ROOM: 18th October 1993.
     SUBMISSION AND OPENING OF ENVELOPE "A"
  - (Applications to qualify): 17th January 1994. 3.00 p.m. SUBMISSION AND OPENING OF ENVELOPE "B" (Financial Bid): 22<sup>rd</sup> February 1994 3.00 p.m.

The address for all the above proceedings is: CAJA NACIONAL DE AHORRO Y SEGURO, Hipólito Yrigoyen 1750, Buenos Aires, República Argentina.

Further information respecting the business of Caja is currently obtainable from their financial advisers, KLEINWORT BENSON LIMITED, 20 Fenchurch Street, London EC3P 3DB, Tel.: 4471 623 8000, Fax 44 71 623 5535



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**NEWS:** UK

## Unionists welcome peace move

Tim Coone and **David Owen** talk to leading Ulster loyalists

UNIONISTS ULSTER UNIONISTS
yesterday welcomed the
announcement that the British
government would put forward
its own proposals for bringing about a lasting peace in Northern Ireland.

But they poured cold water on Downing Street's hopes that the party could be persuaded to rejoin round table talks on the province's future.

Mr Ken Maginnis, UUP deputy leader and security spokes-man, said the party would not sit with Mr John Hume, the leader of the Social Democratic and Labour party, as long as the latter continued his talks with Mr Gerry Adams, the Sinn Fein leader

I will not have the IRA at the negotiating table with John Hume acting as their

proxy," he said. Speaking from Peru where he is observing elections, Mr Maginnis called on Downing Street to take a firmer line on terrorism if it expected to get Unionists back to the negotiating table.

In the wake of one of the worst weeks of sectarian violence in Northern Ireland for two decades "the greatest danger now is in doing nothing about terrorism, not doing nothing about talks," he said. Mr Maginnis warned prime

minister John Major not to be "panicked into new political measures like Margaret Thatcher was panicked into the Anglo-Irlsh agreement in 1985 by the Brighton bomb." He rejected the Irish govern-

ment's six-point plan, announced by Mr Dick Spring. the Irish foreign minister, last week, as a basis for restarting negotiations.

The Irish government will try to seize the initiative, and if we move forward solely on the basis of the Spring principles, this opens the door to all sorts of interpretations which will only increase the level of violence," he said. Mr John Taylor, UUP Europe

spokesman, welcomed Downing Street's intention to bring forward its own proposals but described round table talks as "a mistaken formula."



Pressure for such talks to

resume was "misplaced", Mr Taylor argued, calling for new British proposals to be dis-cussed instead in a series of bilateral meetings between Downing Street and the province's constitutional parties.

Mr William Ross, the party's chief whip, joined Mr Maginnis in calling for the government to give "careful consideration" to selective internment. The aim should be to "behead" terrorist organisations of their command and control centres. he said. Enough of the terrorist

"godfathers" were identifiable, according to Mr Maginnis, to make a difference.

Mr Ian Paisley, leader of the hardline Democratic Unionist party, made no direct reference to the possible resumption of round table talks in Commons remarks that were interpreted as surprisingly conciliatory. But he criticised the Spring plan, saying many in Northern ireland were "alarmed" by some of its contents.

Sir James Kilfedder, leader of the Democratic Popular Unionists, said it would be

"sensible and desirable" for talks between the province's constitutional parties to resume as soon as possible. He also called for unequivocal support for the security forces.

Mr James Molyneaux, the UUP leader, has so far refrained from commenting in public on the increased pressure on his party to join round table talks, and, according to his office, will not do so until Wednesday at the earliest. The party's nine Westminster MPs plan to hold their weekly meeting on Thursday as usual.

#### Insurer sees export pick-up in Europe

By David Dodwell, World Trade Editor

TENTATIVE SIGNS recovery from recession Europe have been detected by NCM, Britain's leading export

credit insurer. In its latest report on the export outlook, it says fewer UK exporters are suffering losses due to non-payment, and payment delays have become less severe.

The quarterly study by the Cardiff-based NCM Credit Insurance shows that non-payment problems eased in 11 of the 12 EC markets, comparing the 12 months to the end of September with the compara ble period to the end of June. The odd man out in the survey was Luxembourg, which is

not a significant export mar-ket for the UK. Payment delays worsened by 12 per cent in the year to Sepober, but this marks a significant improvement from the picture a quarter earlier, in which NCM reported a worsen-

ing of 52 per cent year-on-year-Our findings suggest that in some parts of continental Europe, the recession may have bottomed out," said Mrs Connie Randali, NCM's director for business strategy and

She nevertheless warns that bankruptcies are expected to be high in Germany in the final quarter of this year, with business conditions uncertain in Belgium, France and Greece: "In the short run, the outlook for UK exports to

NCM, which provided inst ance cover for £14bn of UK exports last year, accounting for 80 per cent of the market, reported a dramatic deterioration in payment delays in Italy - 72 per cent up in the year to

But in Spain and France, delays were reduced by 10 per cent and 18 per cent respectively.

Whereas one in five exporters to France experienced payment defaults in the year to end-June, just one in 11 reported defaults in the year

## **OUR MANAGEMENT TEAM**

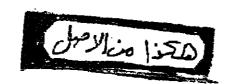
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A LONG WAY TO GO. EVERY STEP HELPS.

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FINANCIAL TIMES SURVEY

# THE SLOVAK REPUBLIC

Tuesday November 2 1993

Slovaks were wary when their 74 year-old "marriage" with the Czechs ended peacefully at the start of 1993. Now caution has been replaced by a quiet determination to succeed.

Anthony Robinson describes the new Republic's problems and prospects

## Adventure in statehood

clean divorce was preferable to

a messy, protracted squabble

over the terms of cohabitation.

As the Czechs were the richest

and the most populous mem-

bers of the 74 year old Czecho-

slovak state Mr Klaus was able

to determine the subsequent

course of events.

Mr Vladimir Median, the pug-

nacious Slovak leader who

turned his Movement for a

Democratic Slovakia (HZDS)

into the dominant force in Slo-

vak politics by his attacks on

tivity to Slovakia's needs,

found himself with no alterna-

tive but to negotiate the best

In contrast with Yugoslavia, where the number of states.

nationalities and cultural and

ethnic groups involved was

much greater, and where past

violent conflicts over borders

and between groups had left

indelible scars, the Czech and

Slovak divorce negotiations

were tough but amicable

terms for divorce.

Czech arrogance and insensi-

ON New Year's day, 1993, clear from the outset that a Slovaks sloughed off a thou-sand year subservience to Hungary and seven decades as the vakia and celebrated the birth of a sovereign, independent, internationally recognised

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But only six months earlier most Slovaks went into the crucial general elections of June 1992 intending to negotiate a new and looser union with their richer and more numerous Czech cousins, but

not to be divorced from them. Opinion polls showed that divorce was only sought by a small minority in both the Czech lands and Slovakia. Many Slovaks were in favour of seeking greater political and cultural autonomy, but fewer than 10 per cent voted for the openly separatist Slovak National Party (SNS). The 600,000 ethnic Hungarian minority was virtually unanimous in opposition to breaking ties with Prague as were the less politically organised Gypsy, Ukrainian, Ruthenian and other minorities living mainly in the east and south of

But the election results put political power into the hands. of politicians with incompatihle ideas about acceptable terms for cohabitation in a common state. The Czech

tion and their desire for the fastest possible integration into a suitably extended European Community and A young Slovak diplomat

insist on their European voca-

from the east of the country, the part which was most opposed to the idea of rule from Bratislava and gave the lowest votes to Mr Meciar, summed up the reaction of many of her generation. "We did not want to be cut off from Prague and the Czech part of our country. We felt nervous about being alone in this part of the world. But now I am amazed to find how little we have in common with the Czechs and how tied up we are in trying to solve our own problems here in Slovakia."

For Prague, the divorce meant the end of an implicit economic subsidy to Slovakia, at the cost of a 30 per cent loss of trade between the two new states. It also freed the Czechs from the inter-war republic whose borders were drawn to include a large Hungarian minority at the end of the first

For Bratislava, independence promised the psychological and spiritual satisfaction of permitting the majority ethnic Slovaks the opportunity to develop and assert their own national personality at home and abroad after a millennium as a largely ignored or subservient people.

But it has required an enormous effort to build up the institutions and trappings of a sovereign state. For more than 70 years many of the most able Slovaks moved to senior jobs in Prague, and few were prepared to return to Bratislava to create a new state, especially under the political conditions created by the HZDS victory in

But a mere 10 months of septhe elections. arate existence have already In spite of the difficulties, however, Slovakia now has an brought about palpable changes in perspective. On independent central bank, a both sides of what is now an national currency (hastily international border between introduced in six weeks the two states apprehension about the possible unforeseen instead of the expected six months after the divorce), a consequences of separation has been largely replaced by a national army and security forces and diplomatic represendetermination to make indetation abroad. It has obtained pendence work. Both states international recognition and



Stovaks celebrate the constitution of their new Republic; a bloodless addition to the European family

membership of a wide range of international institutions, including the IMF, the World Bank and the EBRD. It has also signed a separate association agreement with the EC and gained membership of the Council of Europe, after the last minute withdrawal by Hungary of objections linked to the rights of ethnic Hungar-

ians. Both economically and strategically, however, the new Slovakia inherited substantial real and potential problems. Already hard hit by the collapse of Comecon markets and the end of the Cold War, the disintegration of the highly integrated Czechoslovak economy has led to a sharp drop in trade with the Czech republic

at a time when recession in western markets has reduced the already limited ability to shift to OECD markets. Unemployment is high and foreign investment remains low while the pre-divorce wave of Czechoslovak privatisation has not been followed by a similarly determined all-Slovak version. Without rapid privati-

sation and higher foreign investment Slovakia's ability to build a less energy and raw material intensive economy more attuned to international trade will remain in doubt. The potential certainly exists

for a successful transformation of the economy, given the high level of technical skills and current low wage rates. In the service sector tourism also has good prospects, once the unfriendly, rigid state hotel structure is replaced by small scale private and local tourist initiatives. This year Slovakia is expected to earn only \$200m from tourism, a fraction of what could be earned by creative exploitation of a rich natural endowment which includes the high and low Tatra mountains, much untouched countryside and a plethora of castles, churches and cultural treasures.

A lot depends on Slovakia's ability to project itself properly as a peaceful, stable, democratic country, at ease with its neighbours and not only open to foreign investment but able to create the banking, legal and institutional framework that potential investors can feel familiar with. This is not always the case and some small investors have found difficulty seeking redress for alleged irregularities.

But the main question hangs over Slovakia's ability to forge a mutually satisfactory relationship with Hungary. This is highlighted by the dispute over Slovakia's unilateral decision to go ahead with completing the Gabcikovo dam on the River Danube, and irritating resistance to the ethnic Hungarian minority's desire for dual Hungarian-Slovak place names in areas of Hungarian settlement and the right not to use the Slovak suffix added to

female Hungarian surnames. The dam issue, which aroused greater passions in Hungary than merited by the controversial ecological issues alone, is currently under adjudication by the International Court at the Hague. The Slovak side points out that it was Budapest which first acted unilaterally by

pulling out of the joint scheme. Mr Jozef Moravcik, the foreign minister, also compares the high degree of cultural and linguistic autonomy enjoyed by Slovakia's Hungarian minority with the assimilation pressures to which ethnic Slovaks have been subjected in

Hungary. Wise heads in Bratislava have tried to defuse potential tensions by quiet diplomacy, fearing that the intemperate words sometimes used by Mr Meciar when referring to both the Hungarian and minorities could inflame passions and contribute to the re-ignition of latent ethnic tensions throughout the wider Carpathian region. The rise of nationalist parties in Hungary and Romania underlines the risks involved in playing the ethnic card.

Opinion polls indicate that Mr Meciar still retains a core of central Slovakia, in the scenically attractive villages of the Vah valley and the Tatra mountains. These are the areas economically hardest hit by the collapse of the arms industry and the loss of Comecon markets on which Slovakia was so beavily dependent before the death of the Soviet system.

It is far harder to find supporters in Bratislava, the at the extreme south west of the country, only 65kms from Vienna, or in Kosice, the regional capital of eastern Slovakia, even though unemployment and the attendant social pains are lower in these two big cities.

Mr Meciar may not be the ideal politician to lead Slovakia into independence, but his latest deal with the Nationalist Party (SNS) should give him the parliamentary majority needed to get next year's tough budget approved and fight off left wing opposition demands for early elections. The international financial institutions are helping to fund investment projects, pending the hoped for awakening of foreign private investment.

The next years will not be easy. But independence seldom comes cheap.



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The National Bank of Slovakia issues new Slovak banknotes and coins, and supervises the general circulation of money.

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THE collapse of traditional markets in the former Comecon trade bloc was felt more acutely in Slovakia than in most of its neighbours.

Short of raw materials and energy sources, and with many of its biggest companies geared to serve highly specialised markets for heavy engineering products in central/eastern Europe and the former Soviet Union, Slovak industry faces an uncertain future without heavy investment beyond the capacity of local resources.

With only about \$320m disbursed since 1990, Slovakia has attracted only a tiny share of foreign investments in the region. But interest is growing, especially from neighbouring are said to be on the way.

Faster privatisation is one of the keys to greater foreign investment. But the sacking of Mr Lubomir Dolgos, the former privatisation minister, without a replacement being appointed has raised question marks about the commitment of the government to recovering the momentum lost after the divorce from the rapid privatisation-orientated Czechs.

Government officials dispute the complaints of opposition parties and businessmen that privatisation has ground to a virtual halt after the first round of coupon privatisation which was set in train while Slovakia was still part of Czechoslovakia. "We believe we should privatise more quickly as it is a basic prerequisite for restructuring our economy," says Mr Ivan Lexa, state secretary in charge of privatisation.

He rejects criticism that the privatisation process has been slow and prone to bureaucratic

from the perspective of the World Bank and the IMP, privatisation in Slovakia is considered among the best. The pace and range of privatisations compare well with other post-communist countries, but we are looking at improving and speeding up the process, he claims.

Since 1990, state assets worth SK120hn (\$4.1bn) have been sold including about 500 com-panies with a book value of more than \$3.1bn which have been disposed of through mass voucher privatisation. The voucher privatisation pro-

Faster privatisation is one of the keys to more foreign investment

gramme was launched in 1992, but it is only being completed now because of delays caused by the division of the former Czechoslovak state.

As with the neighbouring Czech Republic, Slovakia's voucher privatisation was considered a success by western analysts, and a second wave of voucher privatisation is planned for next year. But the government has shifted emphasis, intending to resort more extensively to standard methods of privatisation.

Shares in Slovak companies may also be floated on the Prague and Vienna stock exchange once company accounting has been harmonised with Austrian requirements, says Mr Lexa.

The new privatisation programme provides for the lanned sale of 600 companies with a book value of about SK210bn (\$7.2bn) of which voucher sales will only account delays. "Speed is relative. Seen for assets worth SK50bn-

> SLOVAK REPUBLIC The Mechanical Industry and Armament Sector Conversion Brussels, 29-30 November 1993

BUSINESS MEETING In Brussels on the 29th and 30th of November, 1993, a delegation of 25 managers of the most important Slovak groups will present the firms of the Slovak mechanical engineering and metalworking sectors, and discuss with West European companies the opportunities for cooperation.

The presentation will cover: Products, Technologies, Equipment Know-how of the Slovak Armament Industry, Conversion Programmes, Sub-contracting Capacities, Slovak Policy for Privatisation and Restructuring of Mechanical Groups. The reputation and skill of the Slovak mechanical engineers, the cost structure and other advantages of the sector will be highlighted.

This meeting is being organised with the support of the Commission of the European Communities, PHARE Programme for Privatisation and Restructuring, and the Government of the Slovak Republic.

For registration, please contact: Pascal ROGER, Carlos de LOS LLANOS, Tel: 33 1 40 92 45 77 Fax: 33 1 42 53 91 16 SOFRES Conseil 16, rue Barbès F-92129 Montrouge Cedex Foreign investors study pace of privatisation, reports Patrick Blum

## Austrians head the queue

SK70bn. Furthermore, voucher privatisations will only take place in the third quarter of next year. Until then the government will seek to sell as many companies as possible by tirect sales and public tenders

"Voucher privatisation resulted in too great a dispersal of shareholders with small stakes who are not lways committed to further investment in their companies," Mr Lexa says to explain the shift in emphasis. "There was just a change of ownership, but it brought nothing to the state or the companies. With the second wave we aim to accelerate restructuring. Slovek industries need new technologies and they must modernise their production. This requires a lot of money and can only be done with forelgn capital," he says. The importance of attracting

foreign investors is underlined

to buy up to 100 per cent of a company's shareholding, and benefit from a wide range of tax and other incentives. But the authorities will seek a commitment by investors on further investments to modernise and develop their companies. Mr Lexa says interest has picked up this year after a slow start. "In 1992, and early 1993, opinion about Slovakia was not favourable. We were seen as backwards and politically unstable, but since then the IMF. the World Bank and the EBRD

by the shortage of capital of the Slovak banks which

exhausted their funds in the

first wave of state disposals.

abroad, and people are getting a clearer picture of opportunis in Slovakia." Officials are trying to market

have helped to give us recogni-

tion. We are also much more

active at targeting investors

duction and trading centre with a relatively good transport infrastructure and good access to both western and eastern markets. Telecommunications, which are currently very poor, especially inside the country, are being upgraded through an Ecu227m modernisation programme. The European Bank for Reconstruction and Development (EBRD) is providing Ecu44m and Slovak lecommunications Ecul22m with the remaining Ecu61m coming from export credit

The project will improve services for 414,000 existing customers and bring in 200,000 new subscribers. By 1995 all main cities should have a digital telephone network. Bratislava will be equipped with a combined local, transit and the focus of a nationwide opti-

some 400 small-to-medium size Slovak companies with 500-1,000 employees, identified more than 50 with good prospects for potential investment in a wide range of sectors. "People are finding much greater scope for investment than they expected." a western

a catalytic role in attracting reign investment to Slovakia. considering investing Ecu10m in a proposed Ecu20m fund to invest in such companies. It will work alongside the European Community which plans to put up Ecu5m through its Phare programme, with the

consultant says.

The EBRD, which is playing

The EBRD is also providing a total of \$125m for the completion of a new aluminium smelter at Ziar nad Hronom. Over \$185m had been spent on

the 65 per cent finished plant before construction was suspended five years ago because of lack of funds. The new financing will allow the plant to be completed with the installation of state of the art technology from Norsk Hydro which is also taking a \$15m equity stake in Slovako, the operating company. The ERRO is also taking a \$15m equity stake in the company, but the bulk of its commitment is a \$110m loan which will be used to finish construction, buy the equipment and also close down the existing, heavily polluting,

More than 1,000 Austrian companies are established in Slovakia

Other investors so far include Volkswagen, with a \$32.5m investment in an assembly plant near Bratislava for its Passat model; K-Mart of the US with a \$30m investment in the Prior retail chain stores; Rhône Poulenc (\$20m); and Samsung (\$11m). Volkswagen is reported to be planning a subsidiary. With more than 1,000 Austrian companies established in Slovakia and

further \$25m investment at

The close proximity of Brati-

slava to Vienna - just over an

hour's drive away - has

encouraged Austrian investors

Bratislava

\$76m invested, Slovakia's western neighbour has both the largest number and volume of investments, representing about 30 per cent of total foreign investments. Complex negotiations are continuing with OMV, the Austrian energy group, which is seeking an important stake in Slovnaft the Slovak of and petrochemi-

With Austrian plans to upgrade transport and rail links between Bratislava and Vienna, Austrian investment is likely to continue to grow. The Austrian commercial office in Bratislava says that in the first half of the year it has had some 7,000 inquiries, two-thirds from Slovak companies seeking foreign partners. These developments offer hope for an economy in its fourth year of

Economy has a weak base, say Patrick Blum and Anthony Robinson

## Comecon's unhelpful legacy

THE economic basis for Slovakian independence is

shaky.

Czechoslovakia as a whole was deeply integrated into the Comecon and Warsaw pact system, but Slovakia with its concentration of heavy engineering and arms plants as well as large scale shoe, textile and other consumer goods factories, was much more orientated towards the east than the more variegated Czech economy. Slovakia therefore suffered more from the break-up of the old Comecon trade links and the collapse in military orders which followed the end of the Cold War and Prague's post "velvet revolu-tion" dictum about the immo-

rality of the arms trade. Slovakia's historical development as a supplier of steel and semi-finished components for finishing and sale in the Czech republic has also made it more vulnerable to the collapse in bilateral trade which followed the division of the country and the disintegration of the 74 year-old Czechoslovak economy. The Czechs, with their geographical proximity to western Europe and experience in selling finished products, have found it much

easier to switch to EC markets, especially Germany.

Coping with these two evere shocks - the loss of the Comecon and then much of the Czech market - in quick succession has been traumatic. A return to economic growth is not likely before 1995.

The scale of the problems is illustrated by a single statistic since 1989, Slovakia's gross domestic product has declined by 30-40 per cent. The arms

Steel-making has been badly dented by the end of the east-west arms race

industry has been decimated: agriculture, accounting for about 20 per cent of GDP, has been severely disrupted; and service industries such as tourism have also suffered from the inadequacy of the existing facilities to cater for western tastes.

In the first six months of the new state's existence Slovak GDP fell by a further 6.2 per cent compared to the same period in 1992 while unemployment rose to 12.5 per cent of the workforce. Inflation rose to 14.2 per cent.

Officials say the introduction of value added tax last January added about 9 percentage points to inflation, while a 10 per cent devaluation in July, and additional tax increases introduced during the summer, will have a further negative impact on the consumer price index. Inflation is now forecast to rise to around 25 per ceut on an annual basis by the end of the year. Over the whole year GDP

Next year the government hopes to reduce inflation to around 10-15 per cent, but expects the economy to continue to contract. The GDP is expected to fall by a further 3-4 per cent in 1994 while unemployment will rise further to around 20 per cent. A resumption in growth is not expected until 1995.

could fall by 8 per cent.

On the positive side, imports and exports are now roughly balanced at an overall lower level, and the current account is expected to show only a small deficit this year of around 1-1.5 per cent of GDP, according to Mr Marian Jusko, deputy governor of the National Bank of Slovakia. Foreign debt - both public and private - stands at a relatively low \$2.78bn, due partly to a successful \$240m bond issue raised in September and \$90m borrowed from from the International Monetary Fund as the first tranche of a \$180m structural transformation facility agreed in the summer. Thanks to foreign borrowing

and balanced external accounts the National Bank's foreign exchange reserves, which fell to below \$140m in February when the currency union with the Czech Republic came to an abrupt end, rose to \$566m by mid-September. Total foreign assets held by commercial banks and the National Bank, including gold, rose to \$1.67bn. The long expected devaluation of the Slovak Koruna in July has Officials say there is no need

for further devaluations, but independent analysts say this will depend on maintaining tight monetary control. The authorities are aware of this. The national bank is keeping a sharp daily watch on government revenues and expenditures to ensure that the government keeps to its July agreement with the IMF to keep the deficit to within a SK14bn-16bn range, represent-

ing about 5 per cent of GDP. But with revenues slashed by the recession, insufficient manpower to collect taxes, and rising expenditure on unemployment benefits, the authorities will be hard put to keep to the target. The size of the social security budget is a particularly onerous constraint. About one third of this year's SK158bn budget will be spent on unemployment benefits, health and other social ben fits, compared with an OECD average of 9/10 per cent. Reducing this burden is politi-

cally difficult. Officials believe the governcent will manage to keep to this year's deficit target, and will be able to decrease it next year as national insurance is taken off-budget as part of a broader reform of government finances and improvements in tax collection. Higher income

from privatisation, to be accelerated next year, should also belp boost revenu

There are still many poten tial pitfails, however. Bankruptcies are expected to rise next year under the impa a new bankruptcy law which aims to clear an estimated SK 80bn in inter-company debt. Privatisation has been prope to delays, and the private sector still only accounts for about 10 per cent of GDP, though the proportion is growing "from month to mouth" says Mr Jaroslav Kubecka,

Restructuring the still largely state-run economy into a viable market economy will need substantial amounts of capital investment, the bulk of which can only be provided by foreign investors who have been deterred by fears of political instability.

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The banks have been organised at top speed, writes Patrick Blum

## A model from Frankfurt



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THE creation of viable banking split. Very few Slovaks worked and financial institutions has emerged as a top priority throughout the former communist world. But in Slovakia this has entailed the additional burden of creating a new central bank at the apex of the system which unexpectedly had to assume the additional task of introducing and managing an

independent national currency. Finding staff at all levels with the necessary experience and knowledge of modern central banking principles, including the vital supervisory functions, has been complicated by the fact that before the divorce central bank functions were concentrated in Prague.

"The federal state had its administration in Prague. The whole of the state machinery stayed in Bohemia after the

in important positions in Prague, and most of them stayed there. We had to start from scratch and this inevitably had an impact. That is the price we had to pay for inde-pendence," says Mr Jozef Magula, head of the finance ministry's financial and economic policy department.

What is more, the new central bank had to be established and personnel had to be found for a wide range of state institutions including the finance ministry in competition with the banks and a new stock exchange, not to mention private companies.

Before the divorce on January I the central bank's presence in Slovakia was limited to a small branch of the State Bank of Czechoslovakia in Bratislava. The newly founded Slovak National Bank (SNB) struggled to get organised in the weeks following the breakup of the federation. It received help from the British know-how fund and the Austrian National Bank which provided training courses for staff, many of whom had little expe-

Few Slovaks had senior posts in Prague, and most have stayed there

rience. Only one of 10 senior employees working in the federal bank came back to Bratislava - and became head of the SNB's dealing department. As if these handicaps were

not enough, the bank was soon put through its paces with the collapse of the currency union with the Czech Republic in February, accompanied by a run on reserves. As originally conceived, the two countries planned to run a joint currency for at least six months after the divorce. But the precipitate drop in bilateral trade as the frontiers were established accelerated the need to establish a new independent currency under strong pressure

were resisted until July. As the first year of independence draws to a close the dust is beginning to settle, and the central bank is looking forward to a more stable environment. But Mr Marian Jusko, deputy governor, says that only five of eight positions on the bank's ruling council have been filled. The total number of employees, however, has

from the markets, and the IMF,

to devalue. These pressures

doubled from the initial 200 to more than 400. In principle the central bank

enjoys an independent status modelled on the German Bundesbank. This is enshrined in its founding statutes and last July's devaluation was formally decided by the central bank rather than the finance ministry which had taken the lead in resisting devaluation

pressures for seven months. The bank's principal tasks are to maintain control over monetary policy and inflation, to ensure currency stability, and to supervise the banking

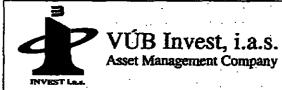
For their part, the commercial banks are having to learn to live with tight supervision and growing competition. They have had more time to adapt than the central bank during three years of radical reforms that began in 1990.

the pace of change has been dramatic, transforming the banking system beyond recognition from its former role as a conduit for money distributed under a central plan into a western style financial sector. The number of commercial

As in the Czech Republic,

banks has grown from two in 1991 to 26 today, with new spe-cialised financial institutions including 17 universal bankssix of which have foreign currency licences - and nine foreign bank branches.

Foreign institutions repre sented in Slovakia include the Credit Lyonnals, and Banque Paribas of France, Creditanstalt and Oesterreichische Volksbanken of Austria, and the Internationale Nederlanden Bank of the Netherlands, as ☐ Continued on facing page



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VODOHOSPODÁRSKA VÝSTAVBA Gabčíkovo — a year's experience

The Gabéliovo part of the disputed Gabéliovo-Nagymaros Project on the Danube has been operating successfully for a whole year. This period is long enough to verify the function and safety of the main structures and sufficient also to provide assurances about the development of impacts on the surrounding nature, ground

None of the foreight catastraphic impacts has been proved as true. Of course, it is not by chance. The certainty with which the builders of this project proceeded with its implementation, stemmed parity from the knowledge of focal conditions and parity from precautions taken against undesired development. There are still conditions on the right bank of the Danube which are not satisfactory. The professionals know very well, not only how to compensute the distinshed flow, but also how to improve them to a better than "perdam" state. The necessary measures form a part of the Hungarian share of work on the Project and the Stovak offer to implement them, was not accepted, it can only be hoped that a more realistic approach, represented by the opinion of Hungarian professionals, will eventually be indopted.

\* The payigation parameters in the section of the Danube between Bratislaw and Palkovicove have been improved according to the recommendations of the Danube

Gabelkovo hydro-electric power station produced nearly two billion hours of electric energy – but only of the basic quality of run-of-the-river Centralion of peak-power and rendering of regulation services was big without the stilling basin of Nagymanos, where the energy of this serifor

between thratislava and Curiovo. To stop it also along the barder section, would again require the implementation the previoused measures in the old Danube which form a part of Hungarian share of work.

\* The access to the port of Bratislava at all times has been secured, as has been an abundance of good quality trugation water. The access to the Vah water-way and to the irrbutaries of the Danube is still waiting for the impoundment of Nagymans. The ground water level has been significantly increased downstream from limitshwa, improving conditions for agriculture and forestry.

"The arms of the Datube which as a consequence of the deepening of the river-hed and of the ground-water level have been dry or without live current the greater part of a year, are now filled with live water on the left side. The right bank is waiting for the dreishon of Hungarian pollucians, to turn into practice the theoretically proclaimed care about the wellbeing of nature and their lax-payers. • The conditions of inquatic life and widdlife have been greatly improved by the abundance of water in the arms. This will lead to an increased of diversity of fish, aritinals and birds. For the future, development without interference of navigation will be accepted.

• The ground-water storage of high-quality fresh water has increased the utilisable capacity, without changing the quality. On the contrary, the oxygen content has even been increased and the strongly polluted upper-layer of ground-water is being diluted and improved as a result of increased scepage from the reservoir. "The receiver and its surroundings created ideal conditions for water-sports and tourism. The development of the necessary facilities will secure ample labour for the local people, us well as improved conditions for marketing their products. The removals development of the previously underdeveloped region will result in improved life-conditions for the inhabitants, the majority of whom are ethnic

The lack of objective information about the Gabeltone-Nagymanos Project enabled
the dissemination of scientifically unfounded information, half-truths, specialing
of uncest in the region - which disoriented and negatively influenced public opinion
lanning the good name of Slowakia in the world.
 The Hungarian lack of faith in the abilities and goodwill of scientists and
engineers on both sides of the Danube who conceived and implemented the
protect.

project.

The discrepect towards international obligations and interests of the treaty
partner is a sign of survival of the totalitation approach and necessarily leads to at Bratisinsa, October 1993

For further information or a possible visit, please contact; Mr. Miroshiv B. Liska, Vodohosporkirska vystavba (Water-Development State-Enterprise) Karloveska 2 PO Bas 45, 840 00 Bratislana, Tel. 00427-721-346, 792-508, 727-822-Faz: 00427-727-667

VLADIMIR MECIAR will take his place in the history books as the man who led Slovaks to independent statehood, write

ANTHONY ROBINSON and PATRICK

But 11 months after jubilant crowds ush-

ered in the Siovak republic the stocky 51

year old Prime Minister's opinion poll rat-

ing is languishing as doubts accumulate

over his ability to lead this nation of 5.3m

towards a prosperous, secure and demo-

last month, in an ornate, gilded room in

the former Archbishop's palace which now

functions as the seat of government, Mr Mediar parried questions about his ability

to retain loyal support and political allies,

his attitude to ethnic minorities and more

powerful neighbours, his prospects for the

economy and his vision of Slovakia's

On the hustings he jabs the air with his

finger, cracks jokes and extracts belly laughs from the crowd. In private he is extraordinarily immobile, big but not tall,

with a strong handshake and expression-

less face in which only his eyes seem to

move. During 90 minutes of conversation there were no flashes of inspiration, no

vivid phrases, no clear vision of the future

democratic system and democratic institu-

tions; introduce market mechanisms; guar-

antee the security of the state and ensure

integration with the European Commu-

nity." Slovakia, he adds, is in transition from one system to another "in the midst

of a dangerous river and moving from one

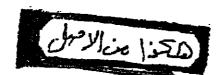
bank to another". It might take five years

"We have four priorities; to establish a

Slovakia. Just flat words.

cratic future.

\*-- : :



#### THE SLOVAK REPUBLIC III

Profile: VLADIMIR MECIAR pioneered Slovak statehood - now he must make it work

## Odd man out with a will of steel

Buoyed up by the strong showing of the former communistera parties in the recent Polish elections, the Party of the Democratic Left (SDL), led by the youthful Mr Peter Weiss, is pressing for early general elections and hoping to administer the coup de grâce to the current prime minister and his demoralised HZDS.

Is Mr Meclar worried by the left-wing threat? Would he be prepared to become, say, Minister of Transport, in a future coalition government led by the former communists in which the HZDS was relegated to a junior role?

He is not amused by the question. "All this talk of elections is premature. If there are to be elections I will decide the timing, and the results will not turn out as my opponents think. The HZDS is a pragmatic, non-ideological party of the centre. It is true we are under attack from left and right, but we are a stabilising factor in Slovak politics.

"At the last election my opponents accused me of being an StB and a KGB agent and a rapist of small children, but my party went on to become the largest party with 38 per cent of the vote and we

formed the government, not them." His reply revealed the kind of steely will to power which his various political oppo-

nents have underestimated at their peril before. Mr Meciar has shown in the past that he is never more dangerous than when his back is against the wall. A for-mer close political aide describes him as " a genius at outmanoeuvering his rivals, a player without rules who cannot tolerate peers and is driven by his complex personality into a confrontational approach both at home and abroad."

Appointed as premier of the Slovak part of the Czech and Slovak Federal Republic after the June 1990 elections, he was deposed nine months later when he lost a vote of confidence in the Slovak parlia ment. Behind the vote lay dislike of his authoritarian ways among the liberal and Christian Democratic members of Slovakta's People against Violence, the anti-communist equivalent to the Czech Civic Forum, and disquiet in Prague at the increasingly separatist tone of his pro-

Deprived of power, Mr Meciar became an implacable foe of the new government led by Mr Jan Carnogursky, and whipped up growing popular resentment against both the "morally superior" attitudes displayed by the federal President, Mr Vaclav Havel, and the Bratislava government which he portrayed as unable to stand up for Slovak economic and political interests.

As unemployment in the Slovak arms factories and other big plants dependent on Comecon trade soared to four times the Czech level, the tireless Meciar barnstormed the country, whipping up nationalist fervour and promising to raise Slovakia's status in the world, complete the controversial Gabcikovo dam project on the River Danube and improve the economic and moral wellbeing of its people.

Portraying himself as a martyr sacrificed on the altar of Czech arrogance and Slovak government weakness, the onetime boxer and largely self-educated enterprise lawyer, reached a peak of popularity at the general elections of June 1992 after addressing packed crowds in pre-electoral

After his first post-election meeting with Mr Vaclav Klaus, the victor in the Czech elections of the same date, it became clear that the self-assured, fanatically pro-market Czech leader preferred a quick divorce from Slovakia to endless recriminations and a loose confederal arrangement which would have left the Czech republic footing much of the bill for Slovakia's greater internal autonomy and higher profile

Both men had a unique opportunity to appraise the other. Whatever his private thoughts Mr Klaus has taken care never to criticise his Slovak counterpart in personal terms, and makes it understood that, whatever his reservations, he fears that whoever comes after Mr Meciar could well

Mr Klaus, who has a Slovak wife and campaigned for Slovak votes during the 1992 election campaign, recognised that Mr Meciar faced a harder task, with far fewer resources, in building his new state,

The Slovak leader acknowledges that "founding the new state brought many problems. The Czechs started preparing the technical basis for the divorce in January 1991 but Slovakia only began from July 1992, While the Czechs inherited the federal institutions there were no equiva-

lents to these Prague based institutions in Slovakia." At the same time the divorce left the new Slovak state with a legacy of over-sized arms, heavy engineering and consumer goods factories orientated towards the defunct Comecon market.

Since January, he points out, the government has gained international recognition, joined a raft of international institutions, including the IMF, World Bank and



EBRD, set up a new independent central bank, created a separate national currency, and forged a national army.

But, after recounting the achievements of the last few months, Mr Meciar com-plained that all this had been done against the background of what he described as "a campaign of hatred against Slovakia and a wave of hostile propaganda which assaulted Slovakia and its official repre-sentatives". When questioned about Slovakia's image, however, Slovak diplomats ruefully concede that in many cases the problem has been created by Mr Meciar's own abrasive style. The issues which have provoked most international criticism include the unilateral decision to go ahead

with completion of the Gabcikovo dam despite Hungarian objections, and insensitivity to the human and other rights of ethnic Hungarian and gypsy minorities. These are all complex issues with no easy solution. They cry out for quiet diplomacy and a search for reasonable compromise.

But subtle diplomacy and a desire for compromise are not easily associated with Mr Meciar's confrontational approach to political problems. Like most of the grey men in his cabinet and Mrs Anna Nagyova, his blonde special adviser on international as well as domestic issues. Mr Meciar speaks no foreign language apart from the closely related Czech and a smattering of Russian. But he insists on representing Slovakia abroad whenever possible.

In an international setting he always looks the odd one out, even among a gathering of fellow leaders from post-communist Europe. At this year's annual international get-together in Davos, Slovak dinlomats watched in despair as the Mr Meciar and his group sat talking among themselves in Slovak as other leaders split into ever-changing informal groups exchanging gossip and building informal

At a recent summit meeting in Budapest of the Central European Initiative, the 10 nation grouping which includes Italy and Austria as well as eight central European states, the Slovak leader fiddled constantly with a recalcitrant translation machine as Mr Klaus, the Czech leader, replied to questions in fluentCerman and English.

On his return from Budapest Mr Meciar announced his intention to obtain new fighter aircraft from Russia to counter-balance similar purchases by Hungary, raising the prospect of a mini arms race between states with ethnic minorities on both sides of the border.

Mr Meciar does not compare well with the founders of the original Czechoslovak state. Having led the move to independence he seems to lack the human and political skills needed to inspire Slovak citizens of all ethnic groups to make the best of their difficult inheritance. What is more, having won independence, he seems to underate the importance of building bridges in this potentially dangerous region for a small country with suspicious neighbours.

#### **■ POLITICS**

## The centre is strained

THE victory in Poland of uty chairman, have spent the leftwing political parties with communist roots only four the stigma of the Soviet-imyears after the collapse of communism throughout eastern Europe is leading to a reappraisal of political probabilities throughout the former communist world, writes ANTHONY ROBINSON

The Polish left's turnabout has aroused particular interest in Slovakia, Poland's southern neighbour, where the Party of the Democratic Left (SDL), led by Mr Peter Weiss, closely resembles Poland's Democratic Left Alliance guided by Mr

Alexander Kwasniewski. In Poland, the election results were as much a defeat for the fragmented anti-communist parties of the Solidarity-era opposition as a victory for the re-packaged communist-era politicians

There are similarities in Slovakia where the centre stage is tenuously held by the Movement for a Democratic Siovakia (HZDS). This movement, a loose alliance bound together more by the personality of Mr Vladimir Meciar than any ideological cement, was formed in 1991 after the disintegration of Slovakia's "velvet revolution" alliance called People Against Violence (VPN).

To its left the HZDS is challenged by the neo-communists, to its right by the Christian Democrat party (KDH), led by Mr Jan Carnogursky, the Slovak National Party (SNS) led by Mr Ludovit Cernak, and smaller parties representing

ethnic Hungarians.
But the ability of the HZDS to command the centre ground has been undermined by the inability of the government to deliver the promised economic recovery and growing distilu-sionment with the suspicious, combative personality of its

The erosion of confidence in the HZDS and deep, often personal animosities, between leaders of the non-communist parties has inevitably rebounded to the benefit of the former communist SLD. Like their Polish counterparts, Mr Weiss and key aides such as Mr Pavel Kanis, the SLD dep-

last four years trying to shed posed communist past, and present themselves as a respectable, democratic party, eligible for membership in a future government coalition.

At the last elections in June 1992 the SLD already emerged as the second largest party with 28 seats in the 150 seat Narodna Rada, the single chamber Slovak parliament The SLD was dwarfed by the HZDS which won 74 seats won but came out well ahead of the Slovak Nationalist Party (SNS), which was the only party to stand unambiguously in favour of Slovak independence. The SNS won only 15 seats and agreed to become a juntar coalition partner in the post-election HZDS-SNS gov-

This government collapsed last March when Mr Ludovit Cernak, the SNS leader, took his party out of the coalition after attacking Mr Meciar for his alleged authoritarian style and his closeness to politicians

Stalinist memories are likely to deter a left-wing comeback

such as the Defence and Culture Ministers with shady political antecedents and ties to Czechoslovakia's Moscowdominated past.

Last menth, however, Mr Cernak agreed in principle to take his party back into the government, mainly because his reluctance to risk early elections which the former communists might win proved stronger than personal and political antipathy to Mr Mec-

A renewed HZDS-SNS coalition, still to be finalised at the time of writing, would create a secure parliamentary majority and ensure passage of next year's budget. It would give a reprieve to Mr Meciar whose shaky minority government has been dangerously weak since Mr Milan Knazko, a former actor who was a popular formed perhaps the most suc-idol of the VPN movement in cessful democracy in continen-

Population	5.3 million			
President	M	ichal Kovad		
Currency (since Feb. 1993)	Slovak	Crown (SK		
Exchange rate (Czechoslovak crown)	1991 \$1:	=29.48 CSH		
***************************************				
ECONOMY				
	1991	1992		
Real GDP growth (%)	-15.8	-6.0		
Annual average % growth in				
Consumer prices (%)	56.0	10.3		
Industrial production (%) 1	-25.4	-14.0		
Convertible currency trade 2,				
Current account balance (\$m)	n.a.	175		
Exports (\$m)	n.a.	3,420		
Imports (\$m)	n.a.	3,635		
Trade helence (\$m)	na	-205		

**KEY FACTS** 

 Until 1991, companies with more than 100 employees and from 1992, companies of all sizes. (2) 1992 floures are estimates

Source: Deutsche Bank Research

1989, was sacked as foreign minister five months ago. Mr Knazko left the HZDS after fierce arguments with Mr Meciar over policy towards ethnic minorities and neighbouring states. He has since formed his own breakaway party, the Allicrats, with eight seats in par-

The new alliance patches up the government but does not reduce the underlying challenge from the former communist SLD or the risk of sharing the fate suffered by Poland's Solidarity era parties. But Slovakia does not share Poland's deeper political culture or its self-confidence as one of the historic nations of eastern Europe. The reform communists, who form the frontline of the Polish Democratic Left Alliance, were committed to reformist politics before being swept from power in 1989 and have been able to attract support from the new business class which has since emerged.

Slovakia has no so such selfconfident past. The communists who ran Czechoslovakia in the Stalinist years and after the Soviet invasion of 1968 were, almost to a man, grey mediocrities who showed an insensitivity bred of ignorance to tradition and theenviron-

Nowhere was the deliberate destruction of the creative and productive middle class more complete than in former Czechoslovakia which before the war, together with its large German and Jewish minorities

tal Europe. And the Sloval part of the old republic, singled out for investment in heavy industry, suffered the most. Given this history, the risk

of a return to power of parties with their roots in Slovakia's communist past is a sobering party seem bright and intelligent. But with Slovakia's slow record of reform to date, many of the old nomenklatura bosses are still running the various bureaucracies, the big state owned factories and the security forces. Several former communists are already in the HZDS government. It is difficult to escape the conclusion that once the reformed communists regained power in their own right it might be difficult

to remove them. Ironically the widespread sense that the former communists represent the most likely alternative to the HZDS together with the personal rivalries and relative inexperience of the non-communist opposition parties, are the main factors keeping Mr Meciar in power.

"Meciar is a confrontationalist. With him Slovak politics cannot be brought to the level needed to modernise the economy and society," says Mr Igor Uhrik, vicepresident of the SNS and one of a handful of expatriate Slovaks who have returned to contribute their skills and foreign experience to building up the new state. But Mr Meciar is in charge, and while he remains that way he will be the one to choose the timing of the next election to

## Bank sector's rapid growth

□ Contd. from facing page

well as banks from Germany. the Czech republic and Russia. At the end of June total subscribed bank capital was SK11.8bn with foreign participation of SK1.6bn.

Although legislation has been brought into line with western practice, Slovak banks continue to face difficulties in modernising their operations and introducing new technol-

ogy and services.

banks to sharply raise their bad debt provisions. Mr Jan Jansta, senior deputy chairman of Vseobecna Uverova Banka (VUB), the largest

with savings banks exacer-

There are other problems. commercial bank, says: "The The concentration of deposits problem is that no institutional investor or company is depositbates a general liquidity shorting money with any hank for a period of more than one year." age throughout the banking system and the economy. At VUB was established on Janthe same time, doubtful loans uary 1, 1990, when the Czechoslovak State Bank was broken

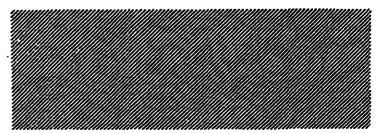
to military and other state industries made under the up to form new commercial communists are forcing the banks. At the time it had 30 branches and about 85 per cent of the Slovak credit market. Since then the VUB network has expanded to 40 branches including one in Prague, and

180 small retail outlets serving more than 800,000 customers. Initially its customers were mainly state institutions. Now they represent less than 70 per cent of its portfolio and VUB, like other Slovak banks, must raise provisions for bad debts from both the state and the often shaky private sector.

Like a giant jigsaw puzzle, the pieces are slowly falling into place for Slovakia's young banking sector, but as the country moves towards a market economy, it faces a more urgent problem, Mr Jansta says. "The greatest need is for new capital, not more banks."



SLOVAKOFARMA



#### This is Slovakofarma Hlohovec

Slovakofarma, Joint Stock Company, situated in the west Slovak town Highovec, is the biggest and the oldest enterprise for drug production in Slovakia. Its roots date back to the year 1941, when the joint stock company Slovenské alkalokty was founded, a chemical plant for the processing of dry poppy-heads out of which morphine was isolated. The firm became a national company later on and for more than fifty years has developed a production programme of large-scale chemical substances and medicine forms. On 1st May 1992 Stovekolarma obtained the legal status of Joint Stock Company.

The main range of activities of Stovakofarma, JSC, at present:

research, development, production, purchase and sale of chemical single and multiple component drugs, pharmaceutical and technical subsidiary substances, medicine preparations and drugs for human and veterinary use, cosmetic products, protective working cintments, tooth-pastes, preparations for fortification and specific modification of feed-stuff, - purchase, processing and sale of medical and aromatic herbs and preparations of them,

Products:

The firm is specialized in production of solid dosage such forms as tablets and coated tablets, hard and soft gelatine capsules, effervescent tablets, cardiovasculars and gastrointestinals, vitamins, calcium compounds and analgesics including opium alkaloids, as well as

Besides this the division of medicinal herbs based at Malacky, Western Slovalda, Implements the production of teas and lea mixtures in conventional packaging and lea bags, spirit macerales and microbiological diagnostical products.

chemical substances for pharmaceutical production.

Ondrej Gattnar, PhD., General Director

#### Summary of the Year in Figures

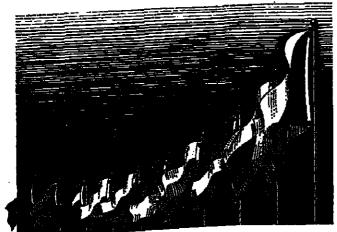
Year ended December 31, 2,082 1,291 Basic capital

in Slovak crowns mil.

Address: Slovakofarma, a.s., Hlohovec Železničná 12 920 27 Highovec tel.: +42 / 804 / 247 41, 247 52 telex: 93810 fax: +42 / 804 / 212 41

Number of employees

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SLOVAKIA may be a state without a history, but the grounds for its divorce from ine Czech republic have deep historical roots.

The disintegration of Yugo-slavia and Czechoslovakia mark, in their very different ways, the liquidation of the last multi-ethnic compromises to survive the collapse of the Hapsburg and Ottoman

empires 75 years ago. In former Yugoslavia the principle of ethnic purity, absurd and tragic given centu-ries of intermarriage, is being pursued to its bloody end through the mass transfer of people accompanied by systematic rape and pillage. The emergence of separate Czech and Slovak states, by contrast, came about through a negotiated divorce and legal division

of state property.

The underlying historical and cultural differences between the Czech and Slovak peoples are almost as great, or as small, as those between Serbs and Croats. The contrast is due principally to the total absence in the Czech and Slovak case of any tradition of violent conflict between two ethnically and linguistically

The re-emergence of Serbia has revived memories of the medieval Serb kingdom, subjugated by the Ottomans 500 years ago, while the rebirth of the Czech republic has

IN A large industrial area on

the outskirts of Martin, a small

town lying on the foothills of

the Lower Tatra mountains in

picturesque north-western Slo-

vakia, a sprawling group of fac-

Martin, population 60,000, is

home to ZTS, one of Slovakia's

biggest companies and heart of

the country's once thriving

military-industrial complex.

But military production, which

represented about half of ZTS Martin's output, collapsed in

the wake of the 1989 revolution

that ended communism, and

the company's future looks

Turning the tanks made at

ZTS Martin into ploughshares

is more easily said than done.

The decision taken in Prague

during the heady days of the

velvet revolution to abandon

the "dirty" trade in armaments

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tories is fighting for survival.

Anthony Robinson traces the tortuous road to Slovak independence

## An amicable divorce

dom of Bohemia. The latter was assimilated into the Hapsburg Empire after the fateful battle of the White Mountain near Prague in 1618 at the out-set of the Thirty Years War. Slovakia and Croatia, by contrast, were both junior part-ners in their former federations and share a long history of domination by Hungary. While Croatia enjoyed periods of semi-independence, howereign state, except as a Nazi puppet during world war two. Slovakia, including its former large Jewish and gypsy minorities and smaller Ruthenian, Saxon, Ukrainian and other populations, remained under Hungarian domination for almost a millennium. Much of the sometimes almost hysterical tone of Slovak-Hungarian relations is inexplicable without reference to this past

relationship. The Slovak leaders who took their country into the first Czechoslovak republic after the first world war did so because they felt too weak to survive on their own. Even in 1919 they wanted Czechoslovakia to be a federal state in which Slovakia would have



enjoyed considerable autonomy. Only reluctantly did they accept the unitary state insisted on by Jan Masaryk and the Czech fathers of the republic, rather than risk a return to Hungarian rule. It was a wise choice. In con-

trast with the 19th century, when millions of Slovaks had emigrated to America, or sought work as masons and builders elsewhere in Europe, with the creation of Matica Slovenska, the Slovak cultural the inter-war years of this cenfoundation. But Slovaks found tury enabled Slovaks to their nightmares come true in strengthen their economy and 1939 as Hungarian power build up cultural and educamoved back into eastern and tional standards with assissouthern Slovakia following Hitler's rape of Czechoslotance from Prague. The Slovak search for recognition and cultural awareness

Even Kosice, the second big-

gest city in Slovakia, passed

Patrick Blum visits an unemployment blackspot

## **Unwanted tanks**

has had a catastrophic impact on Slovakia's industry and economy, causing much local bitterness. Between 1988 and 1992, military production which accounted for about 32 per cent of the output of Slovakia's engineering industry declined by almost 90 per cent.

"It was the hardest blow", says Mr Jaroslav Kubecka economy minister, "Armament production was virtually liquidated in the course of two years without any replace-

At the time, around 40 major plants were involved in mili-

ERAMETAL

tary production. Many have been closed down, and some 60,000 jobs have gone, and many more in related indus-

Ironically, the decision that devastated a major part of Slovak industry has since been reversed in the Czech Republic whose government is now seeking export markets for its own military hardware. The Slovak authorities, who encouraged the conversion of military facilities to civilian production, now believe they can re-enter the market, albeit under much more difficult conditions and on a smaller scale than in the past.

took systematic form in 1863

It will not be easy. "No country in the world is able to rebuild all its main industries in two years. Restructuring requires enormous capital investment beyond the capacity of local resources," Mr Kubecka says. ZTS Martin provides a stri-

king example of the efforts and costs involved. In the 1980s. about half of military production in the former Czechoslovakia - which then ranked among the world's top 10 exporters of weaponry - and about 80 per cent of Slovak military production came from ZTS Martin which specialised in heavy equipment, notably tanks, most of which were sold to the former Czechoslovak and Warsaw Pact armies.

In 1988, the company produced military and civilian equipment worth SK14bn (\$450m); it had 13,000 employees, and made a SK1.6bn profit. Last year production was down to SK6bn, its workforce was cut to 9,000, and it made an operating profit of SK32m, but this was wiped out by restructuring costs and mounting

Josef Skrko, the compa ny's financial director, will not disclose the volume of debt, but says one third is primary debt and two thirds is caused by non-payment by customers. He says about SKIbn of the debt was the result of conver-

The social consequences for the people of Martin have been dire. "Every family in town used to have a worker here,"

savs Mr Skrko. The pain is not over. The company has borrowed SK2bn to modernise production lines to improve productivity and develop new products, but there have been more lay-offs since the beginning of the year. Short-time working has been introduced on some lines, and the marketing and strategy department closed recently to save costs. The buildings badly need repairing, and new markets are difficult to find

even for new products such as diesel engines produced under licence from Lombardini of Italy for sale only in former Comecon markets,

The agreement with Lombardini was signed in 1990 with production starting that year on existing lines. The objective was to manufacture up to 40,000 engines a year, rising eventually to 60,000. New equipment and machinery worth SK1.3bn was imported to develop a new production line which is now almost completely installed. Current capacity is 15,000 engines, but even that smaller number is proving difficult to sell as shown by the stocks of new engines lined up in the factory

The ZTS company now produces a wide range of engines, is improving the range of its

The high minded decision to opt out of the arms trade has had a catastrophic effect

tractors, and producing bulldozers and loaders under licence from Hanomag of Germany with the hope of establishing a joint venture with the German company in the near future. Large engines of 1,000 horse power used in giant trucks are produced under licence from a French company while other products include torest tractors. Production o the latter, however, is down to about 150 a year, compared with exports of more than 1,000 such tractors a year to the former Soviet Union.

Overall, military production at ZTS Martin declined from SK10.3bn in 1988 to SK2.7bn last year, but production of the heavy T-72 tank and other armaments has resumed. "As far as we could see, other countries including members of the Conference on Security and Cooperation in Europe continued to sell their armaments. and nobody really helped us to convert our factories. We think we should do what we are able to do, though the situation now is more difficult because we have lost our former markets to competitors," Mr Skrko says. Foreign interest in the T-72 tank remains high, especially from potential third world buyers with little cash.



back under the control of Hungary's crypto-fascist regime nominal autonomy over the rump of Slovakia was given to a clerico-fascist regime led by Father Jozef Tiso. The spectacle of Hungary's Admiral Miklos Horthy the war. riding on a white horse in triumph through the streets of Kosice cheered on by its ethnic Hungarians is still remem-

recounted to their children. More than 60,000 Slovak Jews were denorted to concentration camps along with unknown thousands of gypsies during the Tiso regime. Those who lived in the Hungarian occupied regions met the same fate in 1944, after Hitler seized power from Admiral Horthy and imposed direct rule on his former ally. As Soviet forces advanced from the east a sometimes bloody settling of scores took place. Thousands of ethnic Hungarians were deported from eastern and southern Slovakia, mirroring the expulsion of 3m ethnic Germans from the Czech Sudetenland.

bered by older residents and

During the war the Nazis built up Slovakia as a powerful centre of arms production. Central Slovakia in particular was out of range for allied bombers but conveniently close to the Russian front. As the Cold War developed and Stalin tightened his hold on Czechoslovakia after the Prague Coup of February 1948 the tightly centralised commu-

nist regime continued to invest heavily in big arms factories. In the 1960s the the East Slovakian Steel Works (VSZ) was built outside Kosice by Czech engineers with Czech equip-

ment. The completed plant

used iron ore transported over 1,000kms from Krivoi Rog in Ukraine. Its steel was needed for the arms industry and the other heavy engineering plants set up in what was still a largely rural country before

The close integration of the Slovak economy with the Soviet military machine and

A rough start, but there is no turning back from attempts to join a wider **European Community** 

the Comecon market was reinforced by construction of the Slovnaft oil refinery at Bratislava, the main terminal of the Druzhba oil export pipeline. Moscow's refusal to risk losing its strategic control lay behind the crushing of the Prague spring in 1968 and the humiliating removal from power of Alexander Dubcek, the Slovak communist who endeared himself to Czechs and Slovaks alike by his espousal of "socialism with a

Vladimir Meciar, the current prime minister, was among those purged from the communist party in 1969 as the Slovak apparatchik Gustav Husak was appointed by Moscow to "normalise" Czechoslovakia and create a phoney federal state which gave greater autonomy, but only on paper, to Slovakia After 20 years of "normalisation" the loose anti-communist. coalition calling itself "People against Violence" celebrated the victory of the velvet revolution in Bratislava as its

Czech counterpart, the Civic

Forum, spearheaded by the writer Vaclay Havel, celebrated the downfall of communism in the streets of Prague.

The superficial unity of both coalitions soon broke apart. however, accompanied by a bitter dispute over the economic impact in Slovakia of decisions made by high-minded politicians in Prague and over the name to be given the newly democratic Czechoslovak state.

For months debate raged over a hyphen. Was it enough, as most Czechs argued, to call the new state the Czecho-Slovak Federal Republic or was it to be called the Czech and Slovak Federal Republic. Behind the war of words nationalist and separatist emotions were whipped up by new politicians in both countries who sought new ways to identify them-selves and their movements or

The defining moment came with the elections of June 1992. Czechs voted for rapid market reforms and integration into Europe under the leadership of Vaclav Klaus while Vladimir Meciar's ill-defined nationalistpopulist Movement for a Democratic Slovakia (HZDS) and the avowedly separatist Slovak National Party won the elections in Slovakia.

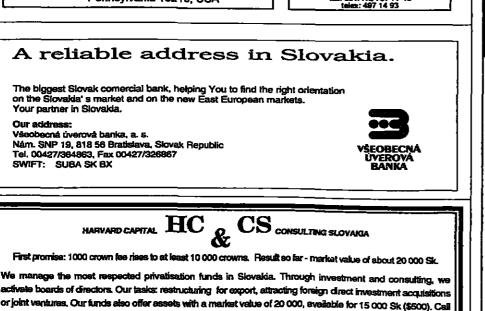
Since that date the two nations have moved rapidly apart. After six months of detailed, top level negotiations between the Czech and Slovak leaders and their closest advisers, the two nations formally divorced on January 1, 1993. Slovakia gained its sovereignty and independence under M Meciar, whose espousal of Slovak nationalism only really took off in 1991 after he was removed as premier of the first elected post-communist gov-

Six weeks into independence the political divorce was followed by the division of the former common currency into separate Czech and Slovak crowns. Six mouths later the once invisible border was clearly demarcated, institutionalised and patrolled by armed border guards. Suddenly, and unintentionally. Slovakia found itself on the wrong side of what has become in effect an East-West border, thanks to a deal worked out by Bonn with its immediate neighbours the Czech republic and Poland to belo implement Germany's tougher new asylum laws.

If has been a rough start for the new Republic, made worse by a collapse in bilateral trade with the Czech republic, rising memployment and recession in western markets. But, aware that there is no turning back Slovaks have to press ahead with building their new state into a viable member of a future enlarged European

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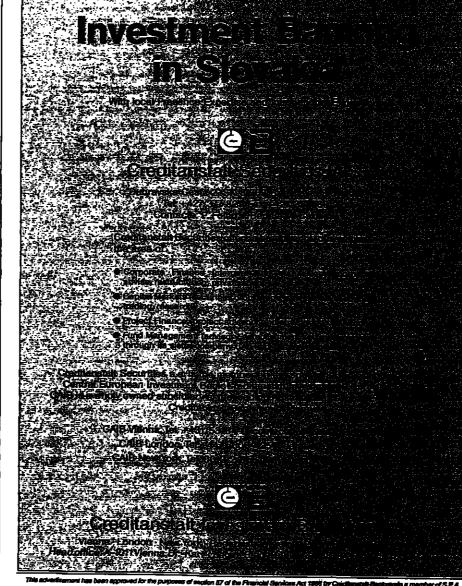


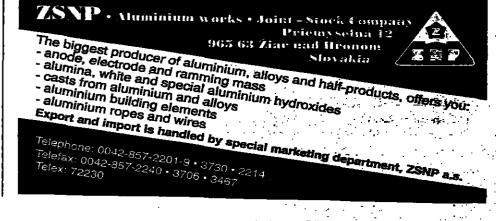


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## Employers must justify unequal pay

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that the squal pay provisions of the EC treaty require employers to demonstrate the control of t onstrate an objec-**COURT** tive justification of the existence of appreciable differences in pay between male and female workers

doing work of equal value The Court's rilling was made in a case referred by the English Appeal Court involving a female speech therapist, who brought an action against her employers for sex discrimination.

Mrs Pamela Enderby claimed sions, such as clinical psychologists or principal pharmacists. which are largely staffed by men.

The European Court of Justice was first asked whether employers were bound under the EC treaty provisions to justify objectively differences in pay such as those which had occurred in this case. The Court said that, although

normally the onus of proving alleged facts in support of a claim lay with the claimant, the burden should shift when it was necessary to avoid depriving workers, who appeared to be victims of dis-crimination, of any effective means of enforcing their rights to

It then said that, in spite of the fact that the circumstances of the present case did not constitute de facto discrimination, they did constitute a prima facie case of dis-

Given that workers would be unable to enforce their rights to equal pay before national courts if evidence of a prima facie case of discrimination did not shift the burden to the employer of show-ing that the difference was not in fact discriminatory, the Court ruled that, in circumstances such as those of the present case, it was for the employer to show that an objective justification existed for

the difference in pay. The Court was also asked whether it was sufficient justifica-tion for the difference in pay if the rates of pay for the jobs in ques-tion had been decided by collec-tive bargaining processes. It said

European the fact that rates of pay had been Court of Justice decided by such processes did not preclude a finding of prima facilitat the equal pay of the collective bargaining showed that two groups with the same employer and the same trade

union were treated differently.

The third question asked by the English Appeal Court was whether or to what extent the fact that the differences in pay were attributable to a shortage of candidates for one job and the need to attract them by higher salaries could serve as objective justification for the pay differential

The Court said that such a finding of fact was for the national Mrs Pamela Enderby Claimed that her pay, in a profession that that her pay, in a profession that is overwhelmingly staffed by women, was less than that for members of comparable professions such as climical provided. those suggested, the pay differential would be objectively justified to the extent of that proportion.

If, on the other hand, the national court had not been able to determine the maticular of the particular than the maticular of the particular than the particular

to determine the particular proportion, then it would have to assess whether the role of market forces in determining the rate of pay was significant enough to pro-vide objective justification for part

or all of the difference. C-127/92: Enderby v Frenchay Health Authority and health secre-tary, ECJ FC, October 27 1993.

Application to reopen Commission merger proceedings inad-

An application by third-party shareholders for the annulment of a decision by the European Commission refusing to reopen its merger proceedings in relation to a particular transaction has been ruled inadmissible by the Euro-pean Court of Justice.

The Court said the applicants had failed to demonstrate that they were directly and individually concerned as required by the Rome treaty provisions.

The Commission's decision that

the transaction between the two companies did not fall within the scope of the merger regulation did not of itself affect the substance or extent of the shareholders' rights. T-83|92: Zimis Holding SA and others u. Commission, CF1 2CH, October 28 1993

HEICK COURT CHAMBERS, BRUSSELS

## **BUSINESS AND THE LAW**

nglish arbitration law, probably the best system in the world, is far from per-fect. But it is made worse than it need be by the unjustified assumption of most arbitrators and lawyers that they are bound to follow the adversarial and predominantly oral procedures developed in the English civil courts.

This shortcoming, together with other orthodoxies which drive arbi-tration away from London to friendtier and cheaper shores, has been tackled in a draft arbitration bill. drawn up by the Departmental Advisory Committee on Arbitration, chaired by Sir Johan Steyn, the

Appeal Court judge.

If adopted, it would improve
English arbitration law and make it more understandable. With those objectives in mind the committee entrusted the drafting of the bill to a privately financed group (although it was revised by a parliamentary draftsman) and instructed it to follow the structure of Uncitral's Model Law of Arbitration, now followed by the legislation of

16 states. Many of the substantive provisions of the bill would make English arbitration law more acceptable internationally. For example, recent decisions by the Court of Appeal have reversed the orthodox view that disputes as to whether a contract was invalid from its beginning always fell outside the arbitration clause. The Appeal Court decisions confirm that the arbitration clause is separable and survives an invalid contract. To make sure that this useful advance is not overturned by the House of Lords, the committee has included a

## Light in arbitration's obscure corners

A H Hermann examines the Steyn committee's draft bill

But the committee was not so daring when it came to the question of the arbitrator's power to decide that he has jurisdiction to hear a case. The arbitrator's decision can always be appealed to a court. That is as it should be. However, the process is greatly abused by parties who wait to see whether the result of the arbitration is to their liking

before launching an appeal.

A decision, at the end of a long arbitration procedure, that an arbitrator did not have jurisdiction makes the resolution of a dispute unnecessarily expensive. For this reason the Uncitral Model Law requires that any appeal against the arbitrator's exercise of jurisdiction must be made at the beginning. The committee, however, shrank from following the Model Law on this.

Explaining this and other aspects of the draft bill at the Freshfields arbitration lecture recently, Sir Johan, agreeing with a recent Law Commission report, said he did not see why arbitrators should be obliged to follow the courts' technical rules of evidence.

This was particularly true in relation to the labelling of technical and production records as "hearsay' evidence. Appellants without a proper issue of law on which to

I THINK | PREFERRED THE OLD ADVERSARIAL ORAL ARBITRATION PROCEDURE

base an appeal often argued that such records were "hearsay" and not admissible evidence, and that lack of evidence was an issue of law on which they could base an appeal. The bill would avoid all this by providing that "the tribunal shall determine all procedural matters including the admissibility, rele-

any evidence". This provision of the bill also ought to do away with the widely

vance, materiality and weight of

tors and lawyers that they are bound to adopt the purely adversarial and predominantly oral proce-dures peculiar to common law jurisdictions but unknown in half the industrialised world.

Sir Johan said he could see no justification for such an assumption, either in statutory law or in precedent. If adopted, the bill would make the English arbitration procedure both faster and cheaper.

The committee did not, however.

crucial difference between the English and most other arbitration systems which allow awards to be made according to a perception of fairness or on the basis of internationally recognised principles of law. The orthodox English view is that arbitration clauses allowing the arbitrator to go by his conscience rather than by the law – clauses commonplace in civil law countries - are invalid in England.

Sir Johan appears to sympathise with the Model Law where it provides that, if parties agree, the arbitrator may decide according to what appears to him to be right and fair. The Court of Appeal moved in this direction and towards the recognition of the lex mercatoria - the free floating "international law of merchants" - when it held in the 1987 Deutsche Schachtbau case that it was not against public policy to enforce in England a Swiss arbitra-tion award applying "internation-ally accepted principles of law governing contractual relations" - lex *mercatoria* for short.

If this is not against public policy in the case of a foreign award, why should it be against public policy in the case of an English award? To adopt the Model Law approach would bring English arbitration closer to the conciliation procedures favoured not only in civil law countries but also in the Far East and particularly in China, with its fastgrowing economy reaching out for more intensive international trade. The Stevn committee has not dared

The author is DJ Freeman senior research fellow in international trade law at the Queen Mary and Westadopt any recommendation on the field College, University of London

#### Michael Smith on the European Commission's intervention in plans for a Portuguese power plant

#### he European Commission has demonstrated through its intervention at a Portuguese power plant that it will pursue its ambitions to liberalise the European electricity market

separability clause in the bill.

in spite of strong opposition.
Using European competition law, it has restricted to 15 years the period in which Electricidade de Portugal, the state-owned monopoly, will have exclusive rights to the electricity that will be produced from a power plant at Pego which is due to be completed in 1995.

The consortium building the plant, including the UK's National Power, had expected to have 28 years of exclusivity. It says it will not be hurt by the change, owing to a compromise deal with the Com-mission. But the EC intervention has set a precedent that, say EDP's lawyers, could affect the funding of future power stations in Europe. The Pego case comes at a time

"third-party access" plans, which are aimed at liberalising the European gas and electricity markets. It argues that a free market in all goods throughout the Community can be achieved only if energy is traded without restrictions imposed by monopolies. Competition would force a reduction in electricity prices, it believes.

Most of Europe's electricity companies, and in many cases the states that own them, have put forward arguments against the Commission's proposals. Unbridled cross-border competition along the lines proposed by the Commission, they say, would endanger security of supply. It would also reduce incentives for companies to invest in transmission systems.

Large sections of the Eur

Burst of competitive energy hard to gain acceptance for its Parliament agree. MEPs have supply along the lines the Commistabled 324 amendments to the 30 articles in the third-party access directive. If the directive is

adopted, it is likely to be in a much diluted form. However, the Commission has made it clear that it will use existing law to ensure that monopolies cannot exert what it considers to be too much influence over markets. Its chief tool is competition law, including article 85 of the Treaty of Rome prohibiting restrictive agreements which distort trade between states. The Commission's interpretation is that an exclusive supply obligation of more than 15 years is

restrictive. Ironically, the Portuguese electricity system is making considerable progress in introducing competition in energy generation and

sion hopes to achieve through its

third-party access directive. The Pego plant, which may eventually supply about 10 per cent of the country's electricity, is being built by a consortium that includes National Power, Electricité de France and Endesa - the UK, French and Spanish utilities - as well as EDP. Most European countries would baulk at providing such an inroad for foreign companies.

The Commission therefore apparently tried to avoid damaging Portugal's progress. It agreed that, after a 15-year exclusive agreement, Tejo Energia, the company set up by the consortium to operate Pego, will be able to sell surplus capacity to third parties providing EDP does not need it. That harms none of the deal's

participants, since EDP will be provided with all the electricity it needs from the plant, and the con-sortium is likely to find ready buy-ers in other countries, including Spain, for any excess.

But such a compromise may not be so easily achieved elsewhere. Countries without the capital to build the power capacity they need - especially in southern Europe -

may find it more difficult to gain funding from the private sector. "Banks want the certainty of a strong revenue stream over a long period if they are to provide funds. The danger is that the Commission's approach will restrict the way that finance is raised," says Mr David Marks, a partner with McKenna & Co, a law firm that advises on big power projects including Pego.

The Pego decision and others that follow are likely to prove fertile ground for merchant banks and

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## Science turns to ancient diets

rchaeologists and water A scientists are joining forces to identify the diet and diseases of people living thousands of years ago, by studying their semi-fossilised faeces.

The Institute of Archaeology at University College, London, is working with Thames Water's Spencer House laboratory in Reading to develop the new gene amplification technique of polymerase chain reaction (PCR) for use on "paleo-faeces". According to Mark Spigelman

of the Institute of Archaeology. these are quite common in dry parts of the world.

"In the southwestern US, there are cave-fulls of the stuff," he says. 'My oldest specimen is from a 19,000-year-old campsite in Egypt." Spigelman, who has already used PCR to find traces of tuberculosis bacteria in ancient skeletons, believes that paleo-faeces contain enough surviving genetic material (DNA) to be detected by the

technique. He hopes to identify fragments of genes both from disease causing bacteria and from the plants and animals in the ancient diet. Colin Fricker, Thames Water microbiology manager, has an obvious professional interest in

identifying traces of human faeces, in order to test water quality.
"We have been developing new methods of detecting E. coli, a bacterium found in faeces, for some

time, so it was an incentive to improve the sensitivity and accuracy of these tests," he

The latest PCR test for E. coli, developed by Thames Water, picks out a bacterial gene for an enzyme called beta-glucuronidase. The scientists plan first to look for this gene in ancient faeces and

then move on to others. Recent experiments have shown that the DNA molecule is far more robust than scientists had imagined a decade or so ago.

PCR has recently been used to extract and amplify traces of genetic material from insects trapped in amber more than 100m

Clive Cookson

he sight of Chris Waddle missing a vital penalty at a World Cup soccer semi-final three years ago may ear to have much to do with electricity use, but the behaviour of television viewers after England lost to Germany led to a record surge of power that night. The management of power

demand is a complex task. To ensure it continues to be handled smoothly, from times of normal use to emergencies such as hurricanes. the National Crid - which distrib-utes electricity in England and Wales - has spent £32m on a computerised energy management sys-tem it believes is the biggest and most modern in the world.

Electricity demand in the area covered by the National Grid can vary between 16,000 megawatts early on a summer morning to nearly 48,000 MW on a very cold winter evening. Power consumption also rises sharply after popular TV soap operas or blockbuster films.
Viewers get up after a long evening's viewing, switch on the lights and put on the kettle for a cup of

This is what happened after Waddle and his team-mate missed the deciding penalties at the end of one of the most exciting matches of the championship, televised from Italy. Electricity use briefly shot up by as much as 2,800 MW after the game, equivalent to the output of a very large power station.

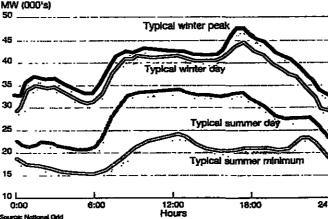
On an average day, enough electricity is used in England and Wales to keep 10m kettles boiling round the clock; in winter, the equivalent is 17m. This is what the National Grid's new system, formally opened last month after 100 days in fault-less operation, is designed to manage. From the new control centre at Wokingham, Surrey, with the help of four area centres in St Albans, Birmingham, Leeds and Bristol, electricity is routed around the 7,000km of the country's transmis-

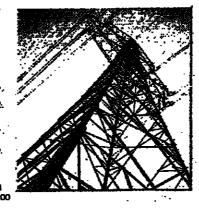
sion routes. By spending some £80m on its new control network (including the energy management system), the National Grid has streamlined its activities and closed two regional sites at Manchester and East Grinstead. It now has an array of new computers and sophisticated software capable of evolving in line with future advances in technology.

The previous system dated from 1970, when the national control centre was at London's Park Street, south of the River Thames. Its Argos computers made by Ferranti of the UK - now the subject of a humiliating 1p a share bid from General Electric Company of the UK - were kept running until earlier this year, although new equipment was also added over the past

"In the early 1980s, we realised we







# Power to the people

The UK's National Grid has just invested in a sophisticated control network, writes Andrew Fisher

going out to tender, National Grid narrowed the choice down to Ferranti and Minnesota-based Empros Power Systems Control, then owned by Control Data of the US but now part of Siemens, the German industrial group.

Having decided on Empros, which has more than 400 energy systems installed around the world, the National Grid went to great lengths to ensure its systems would be as error-free as possible. It subjected the hardware and software to 14 different audits each. Testing was so rigorous that the test plans took up 45 feet of paper.

s a result, the company A believes it has a system which is as reliable as it is possible to obtain. Roger Hunter, EMS project manager, is suitably cautious, however, when he says: 'As far as we know, at the present time, there are no errors." The system was also delivered on time and within budget, a rarity for such big computer projects.

The National Grid went to such lengths to ensure both quality and robustness because it wanted a system which could do much more than its previous one. The Empros

needed to get to the next level of technology," says John Tomlinson, system control manager. After lines of software code (capable of running 46 applications and 40,000 displays) is not just designed to switch energy around the grid system, including the import of power from Scotland (where distribution is handled by the generating compa-nies) and France. It also has a far greater capacity to deal with emergencies such as freak storms or ter-

rorist bombs. To ensure the utmost degree of fail-safe security, each centre has three big Cyber computers from Control Data for normal, stand-by and emergency use. If a disaster causes the Wokingham centre to go down, national control can be switched to St Albans which con-

trols the London region. Here, there is a fourth Cyber, normally used for training - faults such as those caused by the 1981 blizzards have been modelled into the simulator with frightening realism - but which can be switched to run the whole grid. "You can't have a day off while you put something

right," says Tomlinson. In the old system, this degree of integration did not exist. Nor was it able to perform advanced applications at a level far beyond the normal ones of monitoring power flows, voltage levels and other daily

With the Empros equipment, says Hunter, the grid system can be subjected to "limits and capabilities never before possible." Readouts on any aspect of the grid system can be obtained in seconds rather than minutes; 22,000 separate items of information are checked every five

This vast flow of data is needed not only to update the rate of daily power flows from the privatised energy groups to the regional electricity companies (who own the National Grid), but also to deal with the unexpected.

"This system can handle the most onerous of power station conditions," adds Hunter. The Empros system was tested to see how it would stand up to all types of use from normal demand to the impact of lightning strikes and hurricanes.

Now its system is in operation, the National Grid is keen to work with Empros and Siemens, on foreign contracts. "The whole market place is worth nearly \$1bn (£714m)," says Tim Kenealy, general manager of Siemens Empros, which has a share of around 20 per cent. He sees strong possibilities in eastern Europe and other developing areas. despite scarce funds, as well as in industrialised countries wanting to uodate electricity distribution.

Nancy Dunne on a new a software

system which will aid analysts

## The world's data at your fingertips

n 1990, China spent \$2m (£1.4m) on US motor vehicles. The figure for this year totals as much as \$230m for the first

US vehicle sales have been rising throughout Asia. Between January and June, sales increased in Japan by 4 per cent over the same period of 1992. In Taiwan, they jumped by 11.4 per cent, but in Houg Kong they soared by 543.7 per cent. These trends were gleaned from

US Commerce Department data. Normally, they would take weeks to spot, but a new computer software system called World Trade Atlas now brings the figures to trade analysts and exporters in seconds.

Donald Brasher, president of Global Trade Information Services (GTI) of Columbia, South Carolina, wrote the program. As a trade consultant to Thailand and Bangladesh, he saw the need for increased access to international trade data through computer technology and improved data for policy decision-making.

One of his clients recently requested information about the US wood trade in the wake of the spotted owl controversy, which froze logging on many federal lands. A few seconds of key pushing revealed a 53 per cent increase in the value of rough wood exports to Japan and one of 56 per cent to China in the first half of this year, while the volume of exports remained flat. The conclusion was that price rises, averaging more than 50 per cent, had failed to depress

The development of CD-Rom technology and subsequent price reductions which make it available to small entrepreneurs are driving the information revolution, says Brasher. The World Trade Átlas is a prime

"Anyone can publish a CD-Rom," he says, noting that CD-Rom players are rapidly becoming standard personal computer peripherals. After six mouths on the market, Brasher predicts sales of between \$200,000 and \$300,000 this year.

but they are important ones. They include the US Chamber of Commerce, the American Association of Exporters and Importers, the International Footwear Association and the Retail Industry Trade Action Coalition. Their numbers are growing. Brasher expects to have between 40 and 50 clients by the end of this year and at least 100-200 by the end of 1994.

GTI is signing leading international distributors to market the program globally Next year, he expects to add EC and Japanese trade data to the program and he may include numbers from Chile and Canada. Each month, Brasher updates the software from data acquired from US government computer tapes. It is reorganised and seut to subscribers by express mail

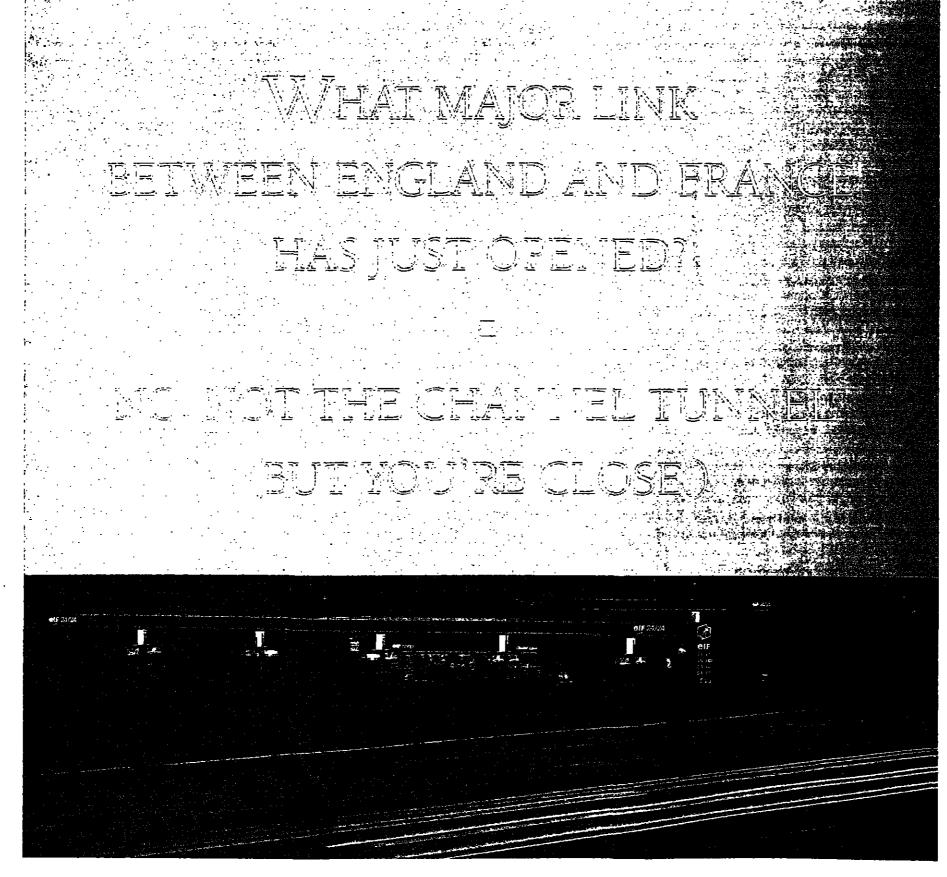
on a CD-Rom disc. The World Trade Atlas provides information for a three-year time comparison. By hitting a key, subscribers can: display product and country information; sort data by market share or percentage change; switch from country to product sequencing; compare quantity and average unit price data among countries; shift between export and import data; and check the balance of trade data for the world and

individual countries. The service is particularly helpful for exporters, Brasher

says.

Brasher learned the ways of Commerce Department data production when, as a young analyst there, he helped to reconcile the differences between US import statistics and Hong Kong's export figures. Now, the Commerce Department is his chief competitor. It sells a system which transmits information electronically. Although it cannot produce trends in seconds like the World Trade Atlas, it has become more accurate since the introduction of an automated interface that reduces data entry

errors. The atlas is sold by GTI on a subscription basis for \$4,920 a year (\$2,880 for educational



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OUR DEDICATION GOES

一年 のから できる

Richard Gourlay looks at proposals for a private-sector, long-term credit institution in the UK

# A challenge to the chancellor

panies have long yearned for the sort of secure, long-term finance available to Germany's Mittelstand. If proposals presented by the Small Business Bureau to Cabinet ministers ahead of this month's Budget are accepted, they may soon

The idea is for the creation of an independent, private-sector funded, long-term credit institution similar to Germany's Kreditanstalt fur Wiederaufbau (KFW), which would disburse fixed-rate, seven-year

This so-called Enterprise Fund, its supporters claim, would provide funds for expansion on substantially easier terms than anything currently available to UK small and medium-sized manufacturing firms.

Even if the proposal does not make it to Kenneth Clarke's dispatch box - and most pre-Budget ideas floated by the small business lobby do not - the idea is being studied as part of the review of business financing being undertaken by Anthony Nelson, the Treasury economic secretary.

The Enterprise Fund is the creation of Peter Hanvatty and Mark Cheerbrant, bankers at Industrial Bank of Japan International, and is one of five proposals\*\* which will be announced by the Small Business Bureau this week.

The new institution would issue 10-year eurobonds guaranteed by the UK government. The authors envisage an initial £2bn being raised over five years, a figure which seems less ambitious set beside the £7bn lent by the KFW in Germany in 1991.
The fund would lend to compa-

nies introduced by UK commercial lending institutions, which would jointly administer the scheme. The draft proposal suggests banks would start by taking 25 per cent of the credit risk; the fund, and ultimately the government at the time the bonds were repaid, would bear the remaining 75 per cent.

The authors say banks would be encouraged to approach the fund because clients would be pressing for access to seven-year, fixed-rate money (probably at an all-in cost of about 10 per cent after a 330-basis point profit for the bank).

of at least £3m and up to £50m would be the target, effectively posi-tioning the Enterprise Fund above the cut-off level for the government's Loan Guarantee Scheme.

Because the fund is a private-sec tor institution, the authors believe the government's guarantee would not affect the size of the PSBR, a concern that torpedoed proposals for a long-term credit institution two years ago. It is far from clear, though, that this hurdle has been overcome.

The key attraction of the proposed plan is that it would reduce one important area of risk in the expansion of a business - the risk of commercial banks withdrawing credit. Barry Baldwin, head of the Small Business Bureau policy unit, says many businessmen decide not to invest for expansion because bank covenants are too extensive.

They do not allow for quite normal deterioration in financial ratios at times when either the trade or economic cycle has turned down. Enterprise Fund money would be structured, the authors say, with

would loans become repayable before maturity. Academics have welcomed the initiative. They argue the UK has suffered from the absence of a KFW or Japan's three, long-term credit institutions, which played a big role in post-war economic reconstruc-

But there could be considerable resistance from the commercial banks, without whose co-operation

Only in exceptional circumstances cially, they would need to be convinced the new institution could work alongside them and would not compete for business.

Given the chequered history of the Loan Guarantee Scheme, where default rates have been relatively high, the government would also need to be persuaded it is not being asked to guarantee what are effectively unbankable propositions.

\* Mark Gheerbrant - 071 489 6843. \*\* Road to Recovery - Small Busi-ness Bureau, 071 976 7262.



appears to have been a non-event for most small and medium-sized

UK manufacturing businesses. According to Pera International, the management and technology consultant, 70 per cent of those interviewed for a survey\* said they had derived no business benefits since borders were formally removed on 1 January

The research demonstrates that British reluctance to exploit new opportunities stems from continued export difficulties additional expenses and the effects of the recession. Less than half of all UK respondents found transportation or paperwork easier since the start of this year; one quarter stressed the difficulty of meeting new EC technical quality standards.

\*Opportunity or Threat: The Single Market Reality for SMEs. avoilable from Ann Fitzgerald. Pera International, Pembroke House, Lydiard Millicent, Swindon. Wiltshire, SN5 9LS. Tel: 0793

#### Changing terms for commercial agents

Businesses which use commercial agents have been giving them notice to avoid the impact of European Community regulations.

The regulations, which cover the legal relationship between the parties and come into effect on January 1, generally strengthen the position of agents. In particular they provide for compensation where an agreement is terminated by the principal other than for breach of contract (for fuller discussion see FT Growing Business page,

Stephen Sidkin, of London solicitors Fox Williams, reports that some manufacturers and suppliers are reappointing their agents as distributors or franchisees, buying and selling goods for their own accounts. Others are offering them direct

"In brief they are taking on

27 July).

liability as employers as opposed to facing the quasi-employee benefits which agents will soon

The Department of Trade and Industry issued a draft compliance cost assessment in September which estimated that annual compensation costs could be anything between 25,000 and £80,000 per sales force.

Sidkin points out that unless the notice brings the contract to an end on or before 31 December, companies will have to honour their existing terms as well as comply with the new regulations.

#### Revising standards for UK managers

Senior management standards developed by the Management Charter Initiative are to be adapted so that they can be applied to small and medium-sized organisations.

The MCI, an independent body set up by employers and backed by the government, seeks to improve the performance of UK

anagers. Vlad Stanic, the MCI development director, said it was felt necessary to apply draft senior management standards to the particular needs of smaller organisations.

#### Support for the smali firm

The role of trade associations and similar small-firm support bodies is discussed in a 37-page booklet which has just become available.

Written by Ray Parr, previously manager of the Department of Trade and Industry's Small Firms Information Centre in the Midlands and now a volunteer counsellor in a local enterprise agency, it sets out to help readers choose the most appropriate representative organisation. It details the cost of membership as well as listing the services provided.

Parr believes the value of support is often overlooked. "All too often attention is concentrated on that essential and often necessary trip to the accountant, bank manager and solicitor, but that should not obscure the potential of a fourth

leg to the support framework."
\*Any other Body is published as a private venture, price £2.95. It can be ordered from Caterpiller Publishing, Caterpiller House, 19 Donnington Drive, Christchurch, Dorset RH23 4SZ

# Happy to be cut down to size

ean Titterington confides that the lack of formal structure, he and management consultancy his friends thought him adventurous, if not foolhardy, when he joined a small, impecunious company after 19 years with a UK clearing bank. His instinct was to look for an employer of a similar size when he opted for redundancy from the Royal Bank of Scotland. rather than relocate.

Titterington, a marketing manager, assumed his temperament and experience would be better suited to

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a big company,
One hundred failed applications later he welcomed the opportunity to join Laser Grafix, a small Hertfordshire-based company employing 16 people. Today he admits those previous assumptions were incorct ones. Although he gets frusenjoys the challenge of a business that has to respond quickly to changing customer tastes.

Titterington is one of the thousands of managers who have successfully moved from a big company to a much smaller one. But according to Oliver Johnston, national campaign leader for economic development at the Industrial Society, most people making the transition can benefit from professional training

There are many sources of such expertise, a business schools, for example - but one of the most (TECs) and run by Enterprise Part-

The scheme matches the skills of professionals and managers who have been unemployed for six months with the needs of small companies. After two weeks of training, managers are hired on short-term contracts and may be offered full-time employment at the end of the placement. Previous courses have had success rates of

over 50 per cent. Linda Stoker, managing director of Dow-Stoker, a small business which provides training courses including ones for redundant executives, says. "Twe hired a few people recent is a scheme called Connect who had worked in big companies for Growth finded by London's and some have failed. They have not been able to roll up their not been able to roll up their sleeves. We had one person who

absence. She was also very status conscious and suggested that all the parking spaces in the new offices went to managers. We don't do that sort of thing."

Managers making the move should be prepared to leave behind not only the perks but also many of the qualities that made them successful in a big company, according to the Industrial Society. "An individual may have had up to a 10-year time-frame for planning and been good at it," observes Johnson. "In a small business decisions may have to be taken in 10 minutes."

Some managers, meanwhile, feel insecure in organisations where there may not be formal performance assessment. Geoffrey Burn, a trated at times, particularly over mership, a London-based training when we moved to new offices over former director of information

a weekend was conspicuous by her systems with a large retailing organisation, says: "In my old com-pany I knew exactly where I was. We had clearly defined objectives and formal systems of appraisal. In my new company we have none of that. One can feel insecure.

The suspicion may be mutual. Owner-managers are often alarmed by professional managers, says Mike Anyon, who now works as sales director with RS Colour, a Manchester-based printing company employing 70 people. He used to work for Du Pont and Philips Electronics. "It has to be a two-way learning process. But I am getting a lot of satisfaction from teaching a very enthusiastic sales force the best practice in the business."

Lisa Wood

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capability of making businesses perform profitably.

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Experienced executive with cessful record of regen and developing manufacturing engineering companies seeks Company turnrounds

Interim Exec. tasks Reply Box B2015, Financial Times, One Southwark Bridge, London SE1 9HL

#### LEGAL **NOTICES**

No. 008341 of 1993 In the High Court of Justice Chancery Division IN THE MATTER OF GARTMORE PLC

IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREBY GIVEN that the Order of NOTICE IS HELIEST GIVEN INS are often the High Court of Justice (Chanctry Division) dated 27th October 1993 confirming the reduction of the Shern Premium, Account of the Company by £55,6(13,62.09 and the reduction of its capital from £100,500,000 to £20,225,360 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above escationed Act were registered by the Registrar of Companies on 28th October 1993. Stanghter and May, (RLH)

Solicitors for the above named Company

ELHORDIS LIBETED C.Y. CHEMICALS LIBETED TENCO INDUSTRIES LINETED Nonce is hereby given that the Creditors of the above-named Companies are required on or before the 29th day of December 1993 to send in grid names and addresses, with particulars of their Debts or Claims, and day or December 1995 at 2000 and addresses, with particulars of their Debts or Claims, and the names and addresses of their Solicitors (if any), to

the name; and addresses of their Societies (if any, to the undersynged than Milds and P. A. Lawrence of South White, 6 Rainigh House, Administ Why, Walerside, London E14-95 the Lightdarron of the said Companies, and, 4 so required by notice in writing by the said Liquidaton, are by their Solicitum or personally to come in and prove their taid Debts or Calmey at such lone, and place as shall be specified in such notice, or in default decreal they will be excluded from the benefit of any distribution made before such debts are proved. Dated 5th October 1993

PANILLA HOLDINGS BYI LIMITED NOTICE is hereby given that the liquithe above spaced Company communicates on 28th May, 1993 and Corporate Management & Corpolians (BVI) Limited of Abbott Building, 2nd Floor, P.O. Box 933, Road Town, Tortola. British Virgin Islands, kas been app

Liquidance of the Company. Dated this 28th day of May 1993 Harney, Westwood & Riegels

#### BUSINESS OPPORTUNITIES DED TO SEEK APPROPRIATE PROFESSIONAL BEFORE ENTERING INTO COMMITMENTS

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Blackston Franks

For a confidential, no commitment discussion contact: Steve Deasey or Richard Coon at Barbican House, 26-34 Old Street, London EC1V 9HL Tel: 071 250-3300 Paz: 071-250-1402 ised by the luminar of Chartered Accountness in Sughed and Whites to conduct leavestment Stat

#### SUBSTANTIAL LEISURE

- INVESTMENT OPPORTUNITY > Largest freehold squash and rackethall club in Britain
- > S.R.A.'s designated centre of excellence for the South East ➤ Half a mile from Bromley Town Centre

The technology can be made available on a license basi

- > 5.75 acres of freehold land with 25,000 sq. ft. of quality buildings
- Additional planning permission granted for further 9,300 sq. ft.
   Leisure building, Tennis development and new own access.

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The core technology is available to third party manufacturers who require an early entry into this multi billion dollar market.

Interested parties should fax their request for further information on company letterhead to the UE Development Partner, 098 231 321.

All enquiries will be treated in stricted professional confidence; no agents or consultants plosse.

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> > WITH

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## Peter Ware & Co, Solicitors, 43 Kensington High Street, LONDON, W8 8ED Tel: 071-937 7094 Fac 071-938 4346

CORPORATE INVESTOR for Dutch based vehicle leasing venture. \*Low risk Profile \*Excellent profit potential \*Proven concept \*Infrestructure in place \*Very exp. Team \* Private equity subscribed. Blake Brothers, Rochester House, 275 Baddow Road, Chemistord, Essex. CM2 7QA England (UK). The directors accept responsibility for the contents of this advertisement, which has been approved by Ernet & Young, a firm authorised by The institute of Chartered Accountents in Engineer and Wales to carry on investment business.

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ent Opportunities (Nov 93) Video Cookery Course 0,000,Mazy Per 22,00-500,000 ijo Magazine rina Devt in Piji £100.000 \$45,000 £170,000 £1m £5,000 Property Dest Al Caballo Riveco Thomas Park R Cabello Birma Liquid Councties Unidess Club For Women Stockhol 2500.00

Pall details it addresses in the VCR Venture Capital Report (est 1978) tens for free trial 9451, 577999 Fee 5796 PATENT GB 2170756

**GREETINGS CARD** FOR SALE Unique Cylindrical Greetings Card, Stored Displayed, Mailed & Printed FLAT, simply open envelope fold into cylinder and dive ign pops out, would add no porticile designs - should seamen design portolio deelgas - a tile to adeling portolio deelgas - a capture good ahare of market. Palent expires 2008 (13 years) Serious offers only to J. Behrman

GREETINGS Well known greeting card publishing company is licensing e no abundance its products on a regional basis. Potential distributors with management

ability and a working capital of

business opportunity with a high

£25-50k are offered a substanti

Box 82002, Financial Times, One Southwerk Bridge, London SE1 9HL

Tel: 061 491 5575 JOINT VENTURE OPPORTUNITY Company with manufacturers capacity is required to exploit a fully tested new range of machines with substantial saids prospects. Light fabrication. Assembly and

test facilities required 0773 810558.

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IN THE MATTER OF THE INSOLVENCY ACT 1986 IN THE MATTER OF RC (BATTERSEA) LIMITED Administrative Receivership) (in Administrative Receivership)
NOTICE IS HEREBY GIVEN possums to Rule
3.9 of the Insolvency Rules 1906, that a secting
of the Creditors of Fare (Battessen) Limited will
be held at Not London Bridge, London SEI 902,
on the 17th day of November 1973 at 11.00
of clock in the morning. The Administrative
Receives' report will be presented to the requiring
and the opportunity given to clock a commistice to
represent the creditors.
A Creditor will be excited to stone at the meeting.

are the registers of the castled to vote at the meeting coly if clarifier will be eathled to vote at the meeting only if clarifier will be eathled to vote at the meeting only if clarifier in willing of the clebe claimed to be due to him by the company have been given to the John Administrative Receivers at No! London Bridge, London SB! 9QL so later than 12.00 moon on the business day before the city final for the meeting, and the claim has been admitted in Bridge, Loudon SBI 9QL no later than 12.00 noon on the business day before the day fixed for the monting, and the claim has been admirted in accombace with the implement Ratus 1906. Conflors very vete either in peason or by proxy and a proxy should be todged with the John Administrature Receivers if possible before the secting. A secured enddlor is entitled to wote only in respect of the blance (if may) of his debts after deducting the value of his security as estimated by him. Creditors who are wholly account and on the statement of the best of the responsement or in with Dated the 29th day of October 1993

**LEGAL NOTICES** 

IN THE MATTER OF THE
INSOLVENCY ACT 1986
NOTICE IS HEREBY GIVEN pursuant to Rule
1.9 of the Insolvency Rules 1986, that a meeting
of the Crofices of Mountwood Holdings Limited
will be held at No! London Bridge, London SEI
90L on the 17th day of Rosconter 1993 at 10.00
o'clock in the morning. The Administrative
Recurrens' region will be presented to the meeting
and the opportunity given be deed a committee to
represent the creditors.
A Creditor will be extrated to wore at the meeting
only if deadly to writing of the debt claimed to be
due to bins by the company have been given to the
Journ Administrative Receivers at No! London
Bridge, London SEI 90L up later than 12.00
noon on the business dry before the day fixed for
the secting, and the claim has been admitted in
sectordance with the Insolvency Rules 1996.
Creditors thay youle either in person or by gracy
and a proxy should be lodged with the Jolat
Administrative Receivers if possible before the
meeting. A accured excitor is entitled to voic
only in tender of the talance (of 21th of bis debte meeting. A secured excitor is entitled to vote only in respect of the balance (of any) of his debts after deducting the value of his security as estimated by him. Creditors who are wholly secured my not cultiled to be represented or to

vote.
Duted the 29th day of October 1993
A V Louis
Joint Administrative Receiver
Montelwood Holdings Linsted

FINANCIAL TIMES CONFERENCES

## WORLD **TELECOMMUNICATIONS**

#### London, 7 & 8 December 1993

This year's annual FT conference will focus on the trends changing the shape of telecommunications worldwide, with particular emphasis on regulation and the methods, challenges and obstacles of privatisation.

The eminent panel of speakers includes:

Mr Don Cruickshank Office of Telecommunications (OFTEL)

Mr Michel Carpentier Commission of the European Communities

Mr Pál Horváth Hungarian Telecommunications Company

Mr lain Vallance

Mr Michael G Gale Cable and Wireless plc

Mr Shaun P O'Byrne Lehman Brothers

Mr James H Quello Federal Communications Commission

**Mr Marc Dandelot** 

Ministry of Industry, Posts & Telecommunications and Foreign Trade,

Mr Bessel Kok Belgacom

Mr Jun-ichiro Miyazu

**Mr Don Burns** 

Mr Pekka Ala-Pietilä Nokia Mobile Phones

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Name Mr/Mrs/Ms/Other	
osition	Dept
Company/Organisation	

Country Fax

## UK and Ireland caused by the elevation of George McNeil to the presidency of Bull Europe has been filled by Philip Craw-Crawford, 41, represents the new face of Bull as the French computer manufacturer strug-

gles to restore growth and prof-itability. He is young even by computer industry standards and says he has "a lot of energy".

For the past five and a half years he has been developing Bull's services business, now seen as a principal plank in the company's strategy. Starting from virtually nothing, he built

■ Brian Truscott, formerly

dealer development director, has been appointed sales director of TOYOTA (GB); he

replaces Tony Newnham, who

moves to parent company

■ Damien Harte has been appointed finance director at ALLIED LEISURE; Duncan

set up his own business.

COMMUNICATIONS, bas

PR consultancy Fishburn

over as interim chairman

group md, becomes acting

chief executive.

of MERIDIAN

for LONDON

BROADCASTING.

Hedges as a director.

Mervyn Blakeney, a

Moss has left the company to

■ Leo Cavendish the former chairman of CITIGATE

joined corporate and financial

non-executive director of WATSON & PHILIP, is taking

while the chairman and chief

executive, Ian Macpherson, is in hospital; David Bremner,

■ John Cresswell, formerly controller of finance, has been

promoted to finance director

■ David Whitewood has been

appointed divisional md for Europe, Middle East and Africa

INTERNATIONAL GROUP;

Gareth Clarke, formerly md

Products worldwide; he is replaced by Andrew Slater,

formerly md of London

International, Germany.

■ Michael Smith, president of Astec's custom power

division, has been appointed

resignation of Walter Sousa

chief operating officer of

ASTEC (BSR) on the

of LRC Products, is appointed divisional md. Regent Hospital

he was formerly finance

director of that division.

it up to a £30m business this

year out of the UK company's total turnover of about \$200m He sits on Bull's worldwide Crawford trained as a metal-

Checking in

Peter Bates, who has been

sales and marketing director of the Savoy group of hotels and restaurants for the past five

years, is moving next month to do the job with the same title

at Mount Charlotte Thistle

To those who might be puz-zled by the move and think the

Savoy is about as grand as you

can get, Bates' riposte is that the Savoy has just six hotels and an annual turnover of

£75m; Mount Charlotte Thistle.

meanwhile, had a turnover in

1992 of £217m and 112 hotels. "It's a much bigger job and therefore a great challenge,"

Mount Charlotte, which is 70 per cent owned by Brierley

Investments of New Zealand

could be floated in the next

couple of years. Bates' previous experience with the priva-tisation of Gleneagles Hotels in

Scotland and the flotation of

the Mandarin Oriental Hotels

in Hong Kong could come in

Bates, 42, is also keen to

scotch rumours that his move

is in any way linked to the

enthusiasm Rocco Forte has

expressed in the past for his

Forte group to acquire the

Savoy.

Peter Haigh, currently regional director of sales and

marketing UK and Ireland for

Marriott Hotels and Resorts,

takes over from Bates. Haigh, 45, was with Marriott for 14

vears, working in both the UK

and US and has been responsi-

ble for sales and marketing

throughout Europe, the Middle

Crawford moves up at Bull UK lurgist at Sheffield Polytechnic and worked initially at GKN Contractors in the US where

**PEOPLE** 

decisions. Whether this is

have their first meeting.

Bates also happens to be a

industry, a connection which came in handy when it was

time to look for his successor

Haigh was recruited through Isis, although Bates himself

landed his new job "after an

invitation to breakfast", he

■ Thomas Cook, the travel

agency chain and financial ser

vices group, has appointed Ian Johnson (below) as its new

finance director. Johnson, 47.

was previously finance director of Noble Lowndes, the

employee benefits consultancy.

He will also look after plan

ning and information technology at Thomas Cook.

Johnson replaces Nigel Reed

who played a central part in

the sale of Thomas Cook from Midland Bank to Westdeutsche

Landesbank. Reed wanted to

work for a company with a UK

listing; he is to be finance

director of Haden MacLellan

Holdings, the industrial con-

he learned about manufacturing automation. He moved into the computer industry as a manufacturing consultant with the then leading software house Management Science America, now absorbedinto Dun & Bradstreet Software. "Bull", he says drily, "is not short of challenge", but he speaks warmly of the freedom the company allows for local managers to make their own

likely to continue under new chairman Jean-Marie Descar pentries is something he will learn shortly when the two

#### Non-executive directors

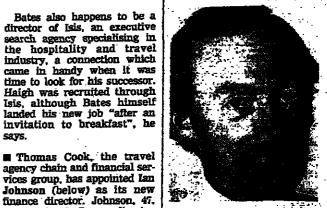
■ Lord Kingsdown, former governor of the Bank of England, at FOREIGN AND COLONIAL INVESTMENT

Tom Hedderson as chair ■ Roger Gilbert, a director of Associated Newspapers, at

SELECTV

Sir Douglas Hardie has retired from SECOND ALLIANCE TRUST. Max Taylor, chairman and chief executive of Willis Faber & Dumas, at TR SMALLER COMPANIES INVESTMENT

■ Martin Boase (below), chairman of Omnicom, as chairman at MAIDEN



■ Sir Peter Baxendell is retiring from INCHCAPE. ■ Bill Boulton, former chairman of BET Plant Services, as chairman of LORNE STEWART. Lord Sanderson of Bowden, former minister in the Scottish Office and chairman of Scottish Mortgage and Trust, and Barbara Thomas, legal affairs director of News International, at WATSON & PHILIP.

John Leigh, recently refired director of Rathbone Brothers, at ALBANY INVESTMENT TRUST, which is a client of Rathbo

■ Sir Geoffrey Chipperfield, recently retired permanent secretary at the department of energy, at SOUTH WEST Ronald Somerville at

UNIDARE. ■ Alan Marsh has resigned from BLETCHLEY MOTOR GROUP. Daniel Piette, group

executive vice-president of LVMH, at DAVID S. SMITH

#### **BUSINESSES FOR SALE**

#### Substantial Wharfage Facility for Sale. on the River Rother in the historic Cinque Ports

The loint Administrative Receivers of J. Alsford Ltd. - T.C. Carter and

M.E. Mills - ofter for sale the major assets comprising:

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Residential Marina to circa 18.5 acres Rve has assisted-area status and is one of the UK's closest ports to the

All enquiries to the Joint Administrative Receivers on 071-931 3893/3864 or to their agents Henry Butcher & Co. Tel: 071-405 8411, Fax: 071-405 9772. (Ref: CRH(ISL) or Erdman Lewis, Tel: 071-629 8191, Fax: 071-409 3124, (Ref: EGM/TE).

## **■ ERNST& YOUNG**



#### **Excel POS Systems Ltd**

The Joint Administrative Receivers offer for sale, the intellectual property rights and assets of Excel POS Systems Ltd. The company is based in Liverpool and its principal

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For further information contact the Joint Administrative Receiver, Andrew Thompson, KPMG Peat Marwick, Richmond House, 1 Rumford Place, Liverpool L3 9QY, Tel: 051 236 5052 Fax: 051 236 1882

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ATHENA FRANCHISE: MANCHESTER CITY CENTRE: superb site. amongst multiples, turnove £273,500 per annum, very high profus nial, lockup BUSINESS £195,000 SAV Ref: 1038 HARVEY SILVER HODGKINSON

TEL: 061 833 2000 SOFT DRINKS

USENESS: Soft drink manufacturing and

Furnover: £3 million Propit witer tax but before Directors benefits: (130,000 CUSTUMER BASE: Mosely PLUs in Midlands and the North of England EASONS FOR SALE: Retirement age of Rox B201), Financial Times. outhwark Bridge, London SE1 9H1

Long Established Town Centre RETAIL FURNITURE BUSINESS Annual sales £2.8 million (92/93) Prosperous Midlands Town

Write to Box B2008, Financial Times,

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Tel: 071-629 7282

**Humberts** Leisure 25 Grosvenor Street London, W1X 9FE Tel: 071-629 6700

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public company incorporated over

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CHRISTHE & C2

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#### NOTICE

(All in attribute transfer resolventish)

TOC is HEREBY (White pursuant to Section 60(2) of
1 tochway at 1985, that amening of the one-count
folions of the above-runned companies will be field as
collicus of Review, White, the Callena, Spring has
awker, West Sacces Refill U.HY, on the inspected to
the collect of Review of the report prepared by the
thorougher 1993 at 10,238 and, for the purpose of
whigh tall better it is copy of the report prepared by the
meaning and the content runder review at 64 of the and Act.

A later than 1 crow-needing, written desilition for the success of the needing, written desilition and the Collection Burst 100 of all the Strothern Burst 100 of the sure proxy valids the creditor reservoir, law or on the behalf sevention reservoir, and or of October 1993. IN PLUDOOC' AND 1 sACOS 1-100 ACM 100 of the report, by advantage received.

**CONTRACTS & TENDERS** 

PUBLIC ELECTRICITY CORPORATION (PEC) SANAA - REPUBLIC OF YEMEN 80/100MW Emergency Gas Turbine Power Plant Invitation for Bids

commissioning on a turnbey basis of gas turbine electricity generating plant with a site output of 80 to 100MW as an extension

to the existing Duzhban diesel generating plant at Sana's. The extension will comprise of two or three units running initially on a light fuel oil but capable of eventual conversion to natural gas. included is all fuel handling and auxiliary equipment, civil works and buildings for the gas nurbine plant and a new 33kV switch

Also included will be reinforcement of the existing Sanat 33kV

distribution network including the provision of four new 33kV overhead lines and cable circuits and 33kV substation facilities.

4. Tenderers will be requested to accompany their bids with financing proposais 5. Sets of tender documents may be purchased on subm

written application between 8 - 15 November 1993 from: Project Manager Sana'a Project Ewbank Presce Limited Prodential House, North Street, Brighton, BN1 1RZ United Kingdom Telex: 878162 EPL BTN G Fax: 6273-266483

on payment of a non-refundable fee of US\$ 1000 or Stg.Pds 660 by cash; certified cheque or bankers draft

6. Applications for tender documents should also be accompanied by a life. statement of the tenderers experience and qualifications to undertake Applications from Local Agents must be accompanied by spe

written authorisation from their Principals mentioning this project.

Eng. Ahmed H Al-Aimi - Managing Director Public Electricity Corporation, P O Boz 178
Sana'a, Republic of Yemen
Telex: 2879 or 2889 Fax: 967-1-263115

and deposited in the PEC'soffices in Sana'a before 12.00 noon on 11th December 1993 at which time the Tenders will be opened in the presence of Tenderers or their representatives.

DIRECTORATE OF NAVAL ENGINEERING RIO DE JANEIRO - BRAZIL

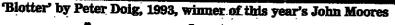
NOTICE OF PUBLIC TENDER NR. 062/93

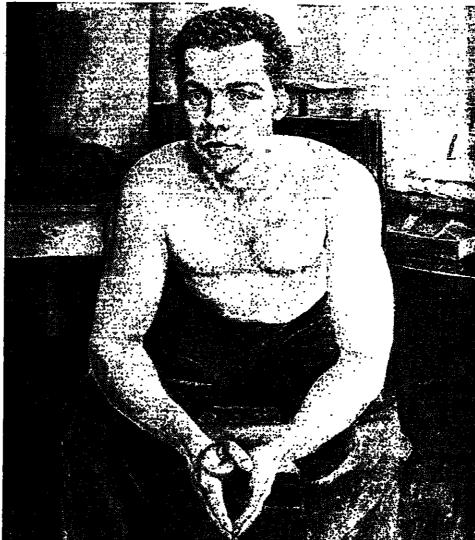
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COMMISSION OF TENDER







Picture which deserved a prize: 'Portrait of Joshua', 1993, by Sarah Raphael

# prize commitment to painting

espite all the brouhaha about the Turner Prize, the televised dinner, speeches and fuss with envelopes, it is still the John Moores that artists want to win. Perhaps this is because the John Moores was the first of the open submission prize exhibitions; and the peculiar affection in which this competition is held reflects the late Sir John's personal enthusiasm and support for many years, since it started in 1957.

Of course there will be grumhies and speculations about the collective interests and judgments of the jury, and disappointed incredulity afterwards, as much at failure to get in as

at the disposition of the awards. But the Moores is the greatest strength, and the Moores is the greatest strength, and involvement much greater one of this wears, hurors, than they do for the Turner distance the Moores relationship that the Moores Sir John Moores' recent death has enjoyed with its critics. It

unday afternoon's piano recital by Leif Ove Andsnes formed a coda to the Barbican's weekend celebration of the Grieg 150th anniversary. The 23-year-old Norwegian had launched this on Friday, playing the original version of Grieg's Piano Concerto, and here the composer was repre-sented as centrepiece of the

programme. Grieg was above all a master of small-scale forms, and Andsnes offered a string of miniatures - the fourth Albumblatte and six of the Lyric Pieces. One had to admire him for playing pieces some might regard as too insubstantial for a major recital. Simple only on the surface, they require fluent technique to be brought off as enchantingly as they were

at 97 has naturally cast this, the 18th, as his memorial Liverpool Exhibition, as well as some doubt as to its future. These doubts were put to rest when the Moores family said it would continue to support the exhibition in principle. Although the form might change, this is good news. The Moores has often modified itself in any case, and its current limitation to paintings and but the lowest of reliefs is a long-standing grief and irritation to sculptors. I am firmly on the side of the painters and see little need for change. The commitment to painting in particular, in a time when it seems to be increasingly discounted by the orthodox apologists and promoters of the

Concert

Andsnes's

Grieg

Andsnes's selection proved

very satisfying, like a series of

delicate water-colours. He

proved sensitive to their vary-

ing moods and vivid charac-

terisation, capturing his coun-

try's folklore in the Hardanger

fiddlers of the Albumblatte, and

the humour in the "March of

the Trolls". Other highlights

were a glistening "Butterfly", the impressionistic "Bell-ring-ing", and the touching simplic-

ity of "At Home". Where other

pianists might have turned

heavy-handed, he maintained

an easy dexterity, investing

quieter dynamics with colours

began 36 years ago as an opportunity for the more advanced artists who were at that time excluded by the Royal Academy, to set themselves against their peers. Ironically, it has now become the one serious opportunity to remind the avant-garde itself

proportion more figurative paintings than I can remember, and inevitably particular inclusions, indeed prize-winners, that I find inexplicable. But overall the emphasis seems to be placed, as it should be, on good painting of whatever kind.

of one of the principal disci-plines in the great tradition of objective, that is derived from Little in this exhibition is

William Packer reviews the 18th John Moores exhibition at the Walker Art Gallery, Liverpool

art, putting paint on canvas. There is nothing of controversy to this year's Moores, nothing of the conceptual bias or feminist agenda of last time ore. And it is precisely its disengagement, its lack of controversy that makes it useful. It is a straight-forward survey of current British painting, the 54 works that the jury considered the best of the 2013 submitted. There are in

of extraordinary subtlety.

To leave the audience in no

doubt of his virtuoso creden-

tials, Andsnes framed his Grieg

with Liszt and Chopin. He

opened with a bravura account

of the former's second Ballade,

cogently argued, but Andsues

showed his serious intent best

of all in an elegant perfor-mance of the Chopin Third Sonata – the Largo radiant, the

outer movements majestic yet

measured with an inward calm

which spoke of the interpret-

er's astonishing maturity.

Although the Grieg remained

longest in the memory, this

was a well-balanced recital. An

all-Grieg programme would

have been too obvious, and

this versatile young Norwegian is right to avoid being typecast

so early in his career.

direct observation of the real and visible world. Sarah Raphael's small portrait of a friend. Joshua, is the outstanding example of that sort and ceris no landscape or interior that is not to some extent photobased in its reference (Paul Winstanley, Geoff Stalker, Martin Greenland), or schematic (Adrian Berg, Adrian Henri). it the prize. Perhaps this is nothing more

That with World

riding at a three-year high and

the diplomatic coun in bring-

ing the PLO and Israelis to a

peace accord, you would think

that Norway's Jan Garbarek

would cheer up a bit. His most

recent album Twelve Moons (ECM 519 500-2), which set the

searing vocals of folk singing

against his own plaintive

reeds, has heaped success on

success and vet he remains an

This was the gist of a conver-

sation overheard at the Festi-val Hall last week mid-way

through the saxophonist's

chilly set. But in this marvel-

lous small group with sidemen

Rainer Bruninghaus (key-

boards), Eberhard Weber

(bass), and Marilyn Mazur (per-

old gloomy boots.

Cup soccer wins,

his country's

stock exchange

than fair reflection of the submission, but, by my own experience as juror on the Moores, I doubt it.

The first prize of £20,000 has gone unexceptionably to Peter Doig for his large and characteristically elegant and mannered amplification of a photograph of a man standing on ice - or is it perhaps in a puddle - in a winter forest landscape. But in general the best of the painting is, perversely, abstract, notably Trevor Sutton's minimal roundel; a low relief panel in white and gold that is as physical as it is seductive, by Stephen Buckley, a former prize-winner; and Simon Callery's large, allusive, exquisitely reticent canvas worked in horizontal bands of Best of all is Michael Ginsborg's sharply cursive, linear image, as taut as a carriage spring, pale red on paler pink and orange. I would have given

"Has the Moores become an exhibition of, perhaps, relatively sophisticated, consensual (sic) painting?" asks Mr Brighton. "Or can it still within its limitations...attract...work which is part of the tradition of modern art? Which is the case and which desirable seems to me the general issue ... now for critics to address." This seems to miss the point. I only wish that the Moores would embrace a wider scope to take in that more objective strain, worked direct from model or landscape that sustained Cezanne, Matisse, Giacometti. Balthus. Freud. Even so, by its very sophistication, and the professional consensus it celebrates, the tively displays work that is indeed truly "part of the tradition of modern art."

with faint praise? Not at all.

John Moores Liverpool Exhibition 18: Walker Art Gallery, Liverpool, until January 23.

Jazz

Am I damning this Moores

### Garbarek at his best

cussion), the ascetic Garbarek is at his atmospheric best. Snarse arrangements of hypnotising melodies are worked up into landscapes of uniquely north European complexion. Where the accompaniment is bleak, the soloists scorch a path through. The ensemble playing is both elemental and

transcendental. Garbarek's band balances perfectly in an unorthodox way. Denmark-born Marilyn Mazur stands behind a kit which combines traditional drums with a hanging garden of exotic shakers and bells. In

contrast to this natural rhythm, at the other end of the stage Bruninghaus creates a fine synth mist embedded with twinkling notes. Centre stage and alongside Garbarek, Weber at the electron-bass (a hybrid of upright fiddle and bass guitar with a delay pedal) weaves plangent lines with the bow in sympathy with Garbarek's keening soprano.

But the second set brought a new, airborne tenor sound from the leader. Enlivened by Mazur's brilliant, dervish-like performance behind the shakers and more angular, discordant phrasing from Weber, Garbarek took off, quoting Gilberto and leading the group out of the fog and into an almost jolly Norwegian funk if such a thing is possible.

Garry Booth

#### Sponsorship/Antony Thorncroft

## Down but not out

fter years of steady growth, expenditure on arts sponsorship came to a halt in 1992-93. Against the odds it had risen by an impressive 14 per cent in 1991-92, to £64.4m, encouraging the belief that somehow sponsorship was recession proof. But when the Association for Business Sponsorship of the Arts announces the most recent figures later this week they will show a fall, not a mammoth fall, but enough to force the sponsorship industry to reassess its approach.

The smaller, regional, firsttime sponsors are still joining un with enthusiasm, but the large commitments from the major traditional sponsors are harder to find.

On cue, two of the great British arts sponsorships, the Royal Insurance support for the Royal Shakespeare Company, and the Digital Dance Awards come to an end next month.

Royal Insurance pumped £3.5m into the RSC over six years and both sides gained tremendously from the link. The RSC is now seeking a similar big backer. In the meantime it is having some success finding sponsors for individual new productions. Unilever subsidiaries, Lever Bros and Van den Bergh's, will put their brand names behind the new Macbeth opening in December, and there is a first-time spon-sor, JBA International, a Stratford-based computer company, for the new Moby Dick. This has attracted a top-up grant from the Business Sponsorship Incentive Scheme administered by ABSA.

The RSC still has one long-term admirer in English Estates, which has given £200,000 towards the small venue tour of *Julius Caesar*. currently on the road. But next year English Estates disappears into the Urban Regeneration Agency and no one knows whether it will continue its imaginative approach of bringing the arts to culturally starved areas of the country.

The RSC has one big attraction for sponsors. It has an enthusiastic chairman in the Prince of Wales. On Thursday night its main sponsors and some prospective friends were invited to Buckingham Palace

Although dropping the Digital Dance Awards, Digital Equipment Corporation, the computer company, is sticking with sponsorship, and with dance. In six years it invested £700,000 in 70 new dance works. It now feels that dance, and dancers, are better able to stand on their own feet. However, it is keeping the £30,000 Premier Award for an individual, the biggest cash sum in the field, and is spending a further £180,000 in 1994 on training and the development of dance projects for larger venues. So the investment in dance has actually increased. At the international level, Digital is reorganising. Its long-term support for the European Community Youth Orchestra has come to an end, but a future global sponsorship will not be decided upon for a year or so, by which time Digi-

Next week, Lloyds Bank will announce a £500,000-a-year sponsorship in the film area. The Bank, which in 1994 will spend over £2m in sponsorship.

tal's financial position should

exploited art form. It already backs the Lloyds Challenge for young scriptwriters and direc-

If fashion counts as art then Lloyds rivals BT as the leading British sponsor of the arts. Along with its involvement in film and fashion it also supports the Young Musician of the Year contest, which will fill BBC screens again next spring. Apart from a bias towards youth all its links have one thing in common: they attract television coverage. Next year. Lloyds is expecting more than 15 hours of prime-time television to be devoted to events it supports.

67

Substantial one-off sponsorships of costly new opera or ballet productions are rare these days, but PowerGen came up with £110,000 for Sylvia, David Bintley's new work for the Birmingham Royal Ballet, which opened last week. But even here the sponsor is being hard headed. If the ballet is a success, and stays in the BRB repertoire, then Power-Gen will raise its support to £150,000. Fortunately for BRB, the initial reaction was favour-

Two unusual new sponsors are Jigsaw, the fashion retailers, and Elisabeth the Chef. Jigsaw is sponsoring a tour of a new dance work by the Harlemation Dance Company choreographed by Bunty Matthias. The Company will visit regional towns where Jigsaw has shops; and the dancers costumes were designed by Maria Cornejo, a Jigsaw consultant. Elisabeth the Chef is a Leam-

ington Spa based supplier of bakery products to supermarkets. One of its largest clients is Sainsbury, and inspired by the sponsorship programme of its important customer, it has funded a £5,000 postgraduate art student award. The winner of the New Art Award will be announced on Wednesday.

Beck's, the brewers, is one of a growing number of sponsors that want to be associated with the avant-garde. (It is a myth that sponsors only support the tried and tested: many companies think they can quickly acquire a go-ahead image if they back the experimental.) Beck's latest commitment, a constructed by conceptualist Rachel Whiteread in East London, was unveiled last Monday. It will stand for just a few weeks. Working with Artangel, an organisation devoted to placing art in unorthodox settings, Beck's will contribute £60,000 over three years to create an annual landscaped creation, built to disappear.

Sponsorship may be faltering in the UK but there is still plenty of potential for international connections. The Orchestra of the Age of Enlightenment embarks in February on its first European tour, thanks to £50,000 from Goldman Sachs, which, as a first-time sponsor, should attract a substantial uplift from the BSIS. The Americanowned bank wants to show off

its European credentials.
Conversely, Banco Santander, along with the Royal Bank of Scotland, is generously backing the Spanish Arts Festival in London next spring. Between them they are putting almost £300,000 into the Festival, helped by a £35,000 BSIS grant for the Banco.

# INTERNATIONAL

4,14

#### AMSTERDAM

Concertgebouw Tonight: Rafael Orozco piano recital. Tomorrow, Sun, next Tues: Gerard Oskamp conducts Netherlands Philharmonic Orchestra in works by Musorgsky, Glazunov and Sibelius, with violin soloist Emmy Verhey. Thurs and Fn: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Janacek, Poulenc and Shostakovich. Sat afternoon: Edo de Waart conducts concert performance of Lohengrin, with cast headed by Thomas Sunnegardh, Sergei Leiferkus, Deborah Voigt and Gabriele Schnaut. Sun morning: Guarneri Trio plays Ravel and Dvorak. Nov 10, 11, 14: Wolfgang Sawallisch conducts Royal Concertgebouw (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Tomorrow, Thurs, Sat: Nederlands Dans Theater in choreographies by Kylian and Naharin, Sun: Chrstophe Rousset conducts first night of Pierre Audi's new Netherlands Opera production of L'incoronazione di Poppea, with

cast led by Cynthia Haymon and Brigitte Baileys (repeated Nov 10, 14, 16, 19, 22, 25, 28, 30). Nov 11. 12, 13: choreographies by Anne Teresa de Keersmaeker (020-625

Palais des Beaux Arts Tomorrow:

#### **■ BRUSSELS**

Yavoi Toda plays violin sonatas by Beethoven, Ysaye and others. Thurs: Armin Jordan conducts Orchestre de la Suisse Romande in works by Gaudibert, Schumann, Ravel and Roussel, with plano soloist Martha Argerich. Fri: Jean-Claude Casadesus conducts Orchestre National de Lille and Pro Musica Chorus of London in Haydn's Creation. Sun afternoon: Pierre Bartholomée conducts Liege Philharmonic Orchestra in Mozart, Bartok, Lekeu and Strauss, with violin sololst Silvia Marcovici. Sun evening: Marc Soustrot conducts Orchestra of the Monnaie in Bizet, Beethoven and Strauss (02-507 Monnaie Tomorrow, Sat (also Nov

#### ■ CHICAGO

CHICAGO SYMPHONY Georg Solti conducts four programmes this month. Tonight: Haydn's The Creation. Fri and Sat: Dvorak's Cello Concerto (Steven Isseriis) and Stravinsky's Petrushka. Nov 11, 12, 13: Hungarian programme. Nov 18, 23; Stravinsky,

9, 11, 12, 14, 16, 18): Marc Soustrot

conducts Guy Joosten's production

of Carmen, with Graciela Araya and

Richard Margison (02-218 1211)

Mendelsschn and Beethoven. Midori piano cycle (022-310 6611) gives a violin recital on Sun (312-435 6666)

John Allison

CHICAGO LYRIC OPERA This month's repertory consists of Tosca with Maria Ewing (tonight, next Mon and Fri), Carlisle Floyd's Susannah starring Reneé Fleming and Samuel Ramey (final performance on Fri) and Cosi fan futte, conducted by Andrew Davis and staged by Peter Hall, with Carol Vaness, Keith Lewis, Delores Ziegler and Jeffrey Black (from Saturday). A new production of Die Walküre opens on November 23 (312-332

#### **■ GENEVA**

Comédie A new French-language production of John Millington Synge's 1907 tragi-comedy The Playboy of the Western World opens tonight, directed by Claude Stratz. Daily except Sun and Mon till Nov 20 (022-320 5001) Grand Théâtre A new production of La Cenerentola, conducted by Jesus Lopez Cobos and staged by Jerome Savary, opens on Sat, with a cast headed by Jennifer Larmore and Rockwell Blake (repeated Nov 9, 11, 14, 16, 19 and 21). Ann Murray gives a recital on Nov 10 (022-311 2311) Victoria Hail Thurs: Natalia Gutman, accompanied by Eliso Virsaladze, plays Beethoven cello sonatas. Sun: Theodor Guschibauer conducts Strasbourg Philharmonic Orcherstra in works by Berlioz, Chausson, Saint-Saens and Roussel, violin soloist Miriam Fried. Nov 8, 9, 10, 11: Gerhard Oppitz gives a Brahms

#### **THE HAGUE**

Thurs: Dutch National Ballet in choreographies by Forsythe, Nederlands Dans Theater In choreographies by Naharin and Kylian. Sat: Mombx dance group (070-360 4930) Dr Anton Philipszaai Fri: Five Bilnd Boys of Alabama. Sat: London Chamber Orchestra plays Britten, Elgar, Gorecki and Vivaldi. Sun afternoon: Gerard Schwarz conducts Hague Philharmonic Orchestra in Mozart and Brahms. Next Mon: Rafael Orozco is plano soloist with Zagreb Philharmonic Orchestra (070-360 9810)

#### **ROTTERDAM**

De Doelen Tonight, tomorrow, Thurs: Gerard Schwarz conducts Hague Phitharmonic Orchestra in Mozart and Roussel, with piano soloist Ivan Moravec. (010-217 1717)

#### VIENNA

Staatsoper Tonight: A Midsummer Night's Dream, ballet with music by Mendelssohn and Ligeti. Tomorrow and Sun: Il trovatore with Cheryl Studer, Agnes Baltsa and Sergei Leiferkus. Thurs: Lucia di Lammermoor. Fri: Madama Butterfly. Şat: Capriccio. Next Mon: La boheme (51444 2955) Musikverein Tonight: Jessye Norman song recital. Frt: Mark

Brown conducts Pro Cantione Antiqua in a programme entitled The English in Love. Sat afternoon: Seiji Ozawa conducts Vienna Philharmonic Orchestra in works by Berg, Mendelssohn and Brahms. Sun afternoon, Mon evening: Stephen Hough plays Hummel's Piano Concerto with Tonkünstler Orchestra (505 8190) Konzerthaus Wien Modem: Vienna's contemporary music festival runs throughout November, with special focus on Penderecki, Takemitsu, B.A. Zimmermann and Erich Urbanner, Other composers represented this week are Oliver Knussen, Magnus Lindberg and Mark Antony Turnage, whose music is included in a Scharoun Ensemble concert conducted by Claudio Abbado on Sat (712 1211)

#### **■ WASHINGTON**

MUSIC Mariss Jansons conducts St Petersburg Philharmonic Orchestra tomorrow in works by Tchaikovsky and Rakhmaninov, with violin soloist Shiomo Mintz. Zdenek Macal conducts National Symphony Orchestra in works by Rakhmaninov and Brahms on Thurs, Fri, Sat and next Tues, with piano soloist Tzimon Barto (202-467 4600)

 Neville Marriner conducts Baltimore Symphony Orchestra In symphonies by Mozart and Tchaikovsky at Baltimore's Joseph Meyerhoff Symphony Hall on Fri, Sat and Sun afternoon (410-783)

8000) Washington Opera's 1993-94 season opens on November 13 with Anna Bolena and starring Nelly

Miriciolu (202-416 7800)

have improved.

THEATRE Lips Together, Teeth Apart: Terrence McNally's play about two married couples who spend the Fourth of July together on Fire Theater 202-332 3300) For Reasons that Remain

Unclear: Mart Crowley's play about a Hollywood writer and an American Catholic priest who meet by chance in Rome. Opens tomorrow (Olney Theater 301-924 3400)

 Carrier: Conrad Bishop and Elizabeth Fuller explore the complex emotional legacy of the Vietnam War. Opens tomorrow (George Mason University 703-993 8888) Dancing at Lughnasa: Brian Friel's award-winning play about five Irish Catholic sisters in Donegal in 1936. Opens on Sat (Arena Stage, Kreeger Theater 202-488 4377)

#### **ZURICH**

Opernhaus Tonight, Fri, Sun: Nello Santi conducts Jonathan Miller's new production of Falstaff, with cast led by Juan Pons. Tomorrow: Cosi fan tutte. Thurs: Rigoletto. Sat: Die Zauberflöte. Next Mon: Ann Murray song recital. This month's repertory also includes II barbiere di Siviglia, Macbeth, Nutcracker and a new production of Raymonda (01-262 0909) Tonhalle Tonight: Edmond de Stoutz conducts Zurich Chamber Orchestra in Haydn, Dragonetti, Durante and Telemann, with double bass soloist Gary Karr. Thurs: Wolfgang Holzmair song recital (01-261 1600)

ARTS GUIDE Monday: Berlin, New York

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Ger many, Scandinavla. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (All times are Central European Time)

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Sky News: West of Moscow 1130: 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky News: West of cow 0230; 0530 Sky News: Financial Times Reports 1330: 2030

#### 🕇 he pile of aluminium castings bore little resemblance to car wheels. But after two minutes each inside an innovative Japanese machine tool which can replace the three normally used by wheelmakers - they were the real thing.

The Yamazaki Mazak machine was one of many examples at the recent Emo machine tool fair of new products aimed at helping their customers find better, more efficient ways of cutting, dril-

ling and shaping metal.

In a neighbouring hall from the Japanese company's stand in Hanover, there were five machines on show from Traub, the big German producer of turning machines, or lathes. But no amount of smartly painted equipment can disguise the fact that Traub and its fellow European producers are worried.

While some of them can match the Japanese on the flow of new products, they find it hard to compete with their rivals' financial muscle. Japanese manufacturers' higher weather recessions more easily and support a more aggressive global manufacturing and mar-keting policy. Hitachi Seiki, for example, has started producing in Germany, and has recently slapped its first "Made in Europe" sticker on a machin ing centre produced in a joint venture with the Klöckner industrial group.

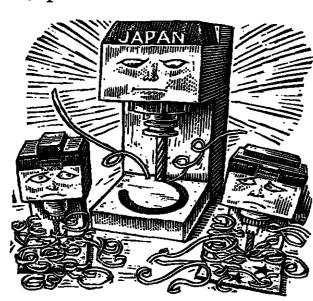
meanwhile. Traub. announced in September that it is receiving a capital injection from banks and its main family shareholders to reduce its debts by DM80m (£32.5m). It is also receiving help from the Treuhand, the agency charged with privatising east German industry, to buy Heckert, an east German producer of milling machines, in a deal that broadens its product range.

The question of the competitiveness of the European machine tool industry is the main talking point among producers. There are about 1,450 machine tool builders in Europe, and their problems are summed up by Cecimo, the umbrella body for national associations from Europe's 12

main machine-tool countries. It says companies making standard machinery are too numerous and too small to compete effectively in the world market. And builders of more specialist machines lack the financial power to create a global presence and survive recessions. For many, this recession has been the worst over the past three years, the

## Europe's metal fatigue

Andrew Baxter on the threat from Japan's machine tool makers



value of machine tools sold in the European market has fallen by 20 per cent to £8.6bn. In spite of this bleak analysis, the share of total world production of machine tools by Cecimo countries has risen from 40 per cent in 1990 to 47 per cent last year. Europe has maintained a trade surplus in machine tools, albeit down from £2,45hn in 1989 to £1,92hn last year, as sales to growing markets in China and southeast Asia offset the collapse of traditional markets such as the

former Soviet Union. But Europe is still seeking a long-term solution through a two-pronged strategy to resolve the problems of an industry which has lost 32,000 jobs - 17 per cent of its workforce - over the past two years. First, Cecimo is asking the European Commission to adopt industrial and trade measures that would help the industry cope with its competitors.

Among its requests are: action to reduce the financial and employment costs for European producers, relative to those of the US and Japan: financial incentives for customers to buy machine tools whenever the market is in a severe downturn; a programme to help small and mediumsized companies take part in EC research and development programmes; a positive conclusion of the Gatt trade negotiations; and a co-ordinated EC

policy to promote exports. The aim, according to Mr Yves de Boisfleury, Cecimo's president, is to correct what he sees as the "flagrant imbalances" between the costs of doing husiness in Europe, compared with those of Japan and the US. Cecimo claims that "social costs" in Germany salaries, benefits and other employee-related expenses are 27 per cent higher than in Japan and 37 per cent more than in the US.

Such pleas might be dismissed as another unrealistic wish list from industrialists struggling in a recession, were it not for the fact that the industry has accepted the need for restructuring through mergers, takeovers and co-operation deals. This is the second plank in its survival strategy.

The recession can be credited for the new note of realism. "I have been through four recessions, but none has been as bad as this," says Mr Walter Trick, Traub's export manager.

For German machine tool makers, the crucial competi-tive battle is with Japan. The two countries account for 47 per cent of total global machine tool production, and Germany has far more produc-ers competing head on with the Japanese than is the case in the rest of Europe.

Mr Hans-Joachim Holstein, sales and marketing director at Traub, speaks of a "vicious circle" in which the company is entwined in the system of high German labour costs and at the same time is the victim of cost pressures among its domestic customers.

"If we have cost cuts, then we have a chance to continue manufacturing here in Germany," he says. Tranh already manufactures in France, Italy and Brazil, and plans to reduce manufacturing in western Germany from 80 per cent of total production to 50 per cent over the next 12 months. It needs to reduce the cost of

its high-volume standard machines by up to a quarte over the next year or so, says Mr Holstein, or else make them outside western Germany. Such an admission would have been unusual three years ago but is now common among

leading European producers. Cecimo says the problem of high labour costs is not confined to Germany. Only if the European industry can reform its cost structure will it be able to respond to customers who are increasingly looking for value for money rather than technical wizardry.

According to Mr Hans-Jürgen Marckzinski, general commissioner at the Hanover show and chief executive of Dortmund-based Thyssen Maschinenbau, customers want equipment that is "as good as it needs to be", rather than "as good as possible".

Giving customers what they want cannot be a strategy which relies for help on the European Commission. Producers are increasingly aware that they should take the future into their own hands rather than wait for concrete proposals. The response from the Commission to Cecimo's plea has so far been cautious, although it clearly recognises that Europe's machine tools could unlock increased manufacturing productivity.

Mr Daniele Verdiani, a senior official at the Commission's industry directorate. says: "The Community can always make business conditions more favourable", but adds pointedly: "The microeconomy cannot be regulated by a magic wand."

## Joe Rogaly

# Why judges are jumping



elected politi-cians become less judicious, the country's judges become more political. It is not sur-

judiciary is expanding its influence. The government thinks only of its day-to-day survival; the opposition is immobilised by fear of upsetting anyone. Our politi-cians are a sorry lot. The courts are presided over by some of the brightest minds in public life. Like it or not, the latter are doing their best to compensate for the deficiencies of the former.

We have seen much evidence of this over the past few years. The modern half of the story begins in 1987, when the then new Lord Chancellor, Lord Mackay, intimated that judges could decide for themselves whether they wished to address the general public by talking to the media. He thus abolished the convention established in a letter written to the BBC by one of his predecessors, Lord Kilmuir, in 1955. The essence of the "Kilmuir rules" was that, in order to keep the judiciary "insulated from the controversies of the day", their lordships should keep their honourable traps shut when off the

Two years later the judges rewarded Lord Mackay's liberalism by publishing their objections to his proposals for reform of the legal profession. Senior judges handled the back-up campaign on TV. The result is instructive. The Mackay reforms have been, shall we say, modified on legal advice. Call it a positive result of open government.

It is not possible to be so kind about the government's strategies for the control of crime, the dispensation of punishment, and the administranal Justice Act was in need of urgent repair the day after it became law. Prisoners rioted at Strangeways, Lord Woolf was asked to find out why. His sub-sequent report awaits implementation. Spectacular miscar riages of justice were revealed. Lord Runciman was asked to make recommendations. His report, delivered in July, has been used as a bran-box from which to pick measures that

Enter Lord Taylor. At the end of April 1992, a few weeks after one of the most ill-starred administrations since 1979 had been returned to office, the

became Lord

suit the home secretary's

Chief Justice. Unlike his predecessor, Lord top judge is willing, anxious even, to speak his mind. Just 18 months on, he has become a serious player in the political He game.

appears at social events around town, cheerful and chatty. His demeanour is that of a public office holder campaigning to reshape parts of the law.

The new Lord Chief Justice led the assault on Lord Mackay for the latter's parsimony with legal aid. Result: zilch. He demanded more judges, and got them. He was critical of the 1991 Criminal Justice Act: his points of substance will doubtless be incorporated in a bill to be presented next month. The Judges Party is determined that Britain shall incorporate the European convention on human rights into domestic law; if not by Parliament, then by judicial stealth. Lord Woolf. a fellow crusader for better governance, recently slipped. an otherwise brilliant

merely building more jails which produce more criminals he spoke of prosecuting prop-erty owners who failed to burglar-proof their houses or cars. Enemies of the Judges Party trained their fire upon

Outspoken judges are not unique in British history. A biography\* of Lord Denning by Iris Freeman, just published, will convince you of that. Still alive at 94, the former Master of the Rolls was in his time the most popular jurist anyone could recall. He stayed on the bench too long and made some silly mistakes towards the end of his career, but prior to that erstwhile Sir Peter Taylor he was outstanding, the most brilliant legal

mind of the The judges have century. some of the A grammar Lane, the new brightest minds in school boy like Lord Taylor, Lord Denning public life. They used the law are trying to creatively in compensate for order to chance the politicians' it. His views were made deficiencies plain in many books

speeches, but he owed his appointment as Master of the Rolls to Lord Kilmuir, he of the Trappist rules for judges. "In general," says Freeman, "Tom agreed with the rules for others, if not for himself..." He was most effective on the bench, where, ever the opportunist, he grabbed at cases that he could manipulate to make a particular point. His first-class mind and encyclopaedic memory enabled him to devise fresh interpretations of both statute

and

mon law. The present generation of reforming judges may have profited from the Denning example, which, of course, they all know by heart. Like him, many of them have learnt to speak plain English, without pomposity. Unlike him, they

and, more particularly, com-

are not absolutely in tune with common opinion - although, to be fair, we live in a more beterogeneous society. Tom Denning, born to a Hampshire draper in 1899 and a believing Christian, could be ever the English pragmatist. His successors must grapple with Europe the break-up of the family, the decline of the inner city, and the social chaos we all know

Lord Denning led a frontal assault on the iron rule of pre cedent, which obliged judges to deliver patently absurd verdicts. The Law Lords freed themselves, but not lower courts, from the rule. He insisted on reading past the text to establish what legislators intended Today judges may at least consult Hansard. He extended the law of negligence, and defended the ordinary subject's right to compensation from ministers. He was a corkscrew: finding against a Labour trade union law here and a Conservative one there. Catholics, Jews, the Irish blacks and others may feel slighted by some of the references in this otherwise sympathetic book. My reading of it is that, if Lord Denning har-boured the prejudices of his fellow Englishmen, he did not allow them to influence his

iris Freeman gives us a great many facts. She lists all the Dennings' travels and refers to more than 150 cases. She does space putting his legal achieve ments in context. Perhaps it is too soon. We cannot yet know which judges will have turned out to be the most effective: the canning maverick Denning, or the more overtly political Taylor & Co. Meanwhile, if you're worried about judge made law, elect better politi-

\*Lord Denning, by Iris Free-Hutchinson, 449 pages,

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Short-term rate cut no long-term answer

From Mr Laurens van den

Sir, Your editorial "Monetarism in retreat" (October 30/31) states: "France is defiantly refusing to enter the pro-growth era. It has refused the significant cut in interest rates that France's low inflation rate

This is a statement typical of a continuous stream of articles in the British press, with very little resonance on the Conti-nent. Why? The franc one-year interest rate is 6 to 5% per cent as compared with sterling 5% to 57 per cent. A difference of 4-% percentage point. This result has been achieved by keeping the franc owners almost 20 per cent wealthier than the sterling owners. The other side of the ocean,

of the US Federal Reserve, said last week: "I think you have to be very careful with rapid short-term rate cuts. There is a great risk that long rates react in the opposite way."

The French, English and German unemployment prob-lems are not caused by high interest rates, but by the combination of business globalisation and lack of European competitiveness and flexibility. The jobs that have disappeared will not come back. They have migrated to other countries.

The container and the fax. which make it possible to carry out any task where best value for money is delivered, will not disappear. Investments will only be made, and so jobs created, when there is much greater flexibility in increasing and decreasing company size,

working hours, compensation, geographical mobility, acceptance of new technologies and work practices, etc. This flexibility, combined

with stable currencies and entrepreneurial enthusiasm. can solve the unemployment problems, but not another short-term interest rate cut. in France or in the UK. That is a commonly beld view on the other side of the Channel Laurens van den Muyzenberg, management consultant,

i Queens Terrace Windsor SLA 2AR

From Mr Jeremy Hale.
Sir, Your leader "Monetarism in retreat" was confused. If monetarism really lives on in Paris, as you claim, French interest rates should now be

much lower. The authorities broad money aggregate, M3, continues to grow very slowly (0.7 per cent year on year in August) and thus to undershoot targets (4-6.5 per cent). Predictably, nominal gross demestic product growth is also now close to zero. Why are short-term interest rates still above 6 per cent, or 3.5-4 per cent in real terms? Because the

in an exchange rate target. Further evidence of the dangers of targeting exchange rates, not of monetarism. n'est-ce pas?

Jeremy Hale, senior international economist, Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB

# merged to be the best of both banks

lt seems we

Merger announced November 2, 1992 Situation as of November 2, 1993:

#### **Euromoney:**

No. 1 in Dutch Equity Research No. 1 in Equity Execution No. 1 in Economic Research

Global Custodian International: No. 1 Dutch Custodian Bank

**Institutional Investor:** No. 14 in European Mergers & Acquisitions

#### High earner an asset

David Mullins, vice-chairman

From Mr Michael Spencer. Sir, Eyebrows may indeed be raised in Downing Street and elsewhere at the remuneration received by Mr Alamouti, head of arbitrage trading at Tokai Bank in London ("Arbitrage dealer defies recession to earn £9m", October 27). However, before the cynics get into a lather, it is worth considering what benefits, if any, Mr Alamouti contributes to the British economy.

First, there is the obvious point that he has highly transportable skills and could, with a phone and Reuters screen practise his chosen trade in New York, Frankfurt, Paris or Tokyo pretty much as easily as he can in London. The fact that he works here not only helps the City in maintaining its pre-eminent position in the global financial markets but also benefits the Exchequer not immaterially. His income tax bill and Tokai's increased corporation tax liability no doubt add up to a tidy sum.

Second, arbitrage is itself an economically important activity. Without it, price imperfections and illiquidity would disadvantage market users and make the process of risk transfer less efficient. As the layers of mystery behind financial derivatives are stripped away, Mr Alamouti will find increased knowledge and com-petition making arbitrage less profitable and the markets more efficient. But by then, no doubt, he will either have retired or moved on. In the meantime we need more, not fewer, Alamoutis. M A Spencer,

Intercapital Brokers, 16 Finsbury Circus, London EC2M 7DJ

#### Unit trust buying practice at heart of system

From Sheila A Nicoll. Sir, Mr Landman (Letters, October 26) has misunderstood

the roles both of unit trust managers and of stockbrokers and marketmakers in running principal positions. Far from being punished, as he suggests, such behaviour is

at the heart of the trading system at the London Stock Exchange and many other financial markets, where liquidity is provided by firms which are willing to take a risk using their professional judgment of the market and buying and salling for their own and selling for their own

When unit trust managers take principal positions (which

they have to do, for example, if they are to deal on a historic basis, a service appreciated by many private investors), the interests of investors are fully safeguarded.

The price which an investor pays for units or receives for selling them is carefully regu-lated through detailed pricing rules drawn up and imposed by the regulatory authorities. The price will be within the same parameters regardless of whether units are created or cancelled with the trustee or the manager sells on units which have previously been

sold back to him. The independent corporate 65 Kingston, trustee who must be author London WC28 6TD The independent corporate

vices Act 1986 holds the unitholders' assets and has a responsibility to ensure that investors' interests are kept

paramount. If there is a fall in the market, the manager takes a loss and if he sells, the price he receives is again calculated according to the pricing regulations: he will receive the cancellation price applicable at that time. Investors are unaffected.

Sheila A Nicoli, director, legal and fiscal affairs, Association of Unit Trusts and Investment Funds.

#### Picture of Belarus prospects not so bleak

From Ms Roberta Feldman. Sir, Matthew Kaminski's and Anthony Robinson's article, "Belarus finds breaking up is hard to do" (October 12), may paint too bleak a picture of reform there. In fact, many economic officials at both the local and national levels are anxious to implement reforms and ready to listen to advice. For example, the international Finance Corporation's sation legislation the voucher law.

small-scale privatisation assistance project in the city of Brest, begun in June, resulted in Belarus's first open auction on September 29, ahead of schedule. Cities and regions all over Belarus are now requesting privatisation assistance from IFC, and the government of Belarus has requested advice on rationalising privatisation legislation, including

Reformers in Minsk and the provinces often want and welcome assistance. Unfortunately, western experts have so far largely overlooked Belarus in favour of its neighbours. Roberta Feldman, task manager, small-scale privatisation in Belarus, Russia and Ukraine International Finance Corporation, Washington DC

#### Strong argument for relaxed management style

From Dr George Fieldman.
Sir, The psychological research published in the FT (Recruitment, October 27) on problem-solving styles indi-cated that a goal-orientzted or telic approach is less productive than an interest-orientated or paratelic approach. This finding is fascinating indeed and, if confirmed by other studies, has important implications both for managers and for management training.

It is a powerful argument for relaxed management styles which encourage staff to follow their own insights and intu-itions, at least for tasks which involve problem-solving. Such an approach is also likely to arphoach is also likely to reduce psychological strain in staff which, in turn, should promote their physical and psychological well-being. So much then for the dogged. Thatcherite influence upon management. In this view

external pressure was seen as the principal means of promo-ting British economic produc-tivity, what an appalling waste that may have turned out to be. Of course, the notion that people can be brow-beaten into world-class performance always lacked credibility. aways sacsed creamsury. George's Hospital Medical School Department of Psychology.

:3

# Tip of Japan's debt iceberg

IT WOULD be churlish not to be generous in praise of the Japanese authorities' macroeconomic management over the past three years. The Bank of Japan has succeeded using both interest rate cuts and arm-twisting, in maintaining financial order following the 1990 Tokyo stock and property market collapse. The Ministry of Finance, after some prompting has used both administrative measures and three fiscal injections to put a floor under share prices and prevent a slump. Faced with similar problems, the US, UK and Scandinavian countries have all suffered recessions. Japan, by contrast, has just about kept growth alive.

It is against this background that the significance of the bankruptcy of Muramoto Construction should be judged. The collapse of the Japanese property contractor, leaving Y590bn in unpaid debts, may be the largest bankruptcy in Japan since the second world war. What is surprising is that there have been so few Muramotos, given the scale of Japan's property market collanse.

Yet Muramoto Construction represents the tip of a large iceberg. Last March, official Japanese government figures put the total of "non-performing" loans at the top 21 city banks at Y12,700bn, a little over 3 per cent of outstanding loans. But government sources also acknowledge that, when the debts of non-bank subsidiaries are included, the true figure is at least three times the official level, raising the ratio of bad debts to loans to Scandinavian levels. Even the official stock of non-performing

year's operating profits of the 21 city banks. Meanwhile, the Co-operative Credit Purchasing Company (CCPC), the agency set up last year without public money in order to remove non-performing loans from bank balance sheets, is moving at a slow pace. Between

February and the end of Septem-

ber, it purchased loans with a face value of a mere Y1,050bn. Of course, as the Bank of Japan points out, the evidence that Japan is currently facing a credit crunch is far from conclusive. Yes, bank lending is falling and the broad money supply is barely growing. But, with Japanese com-panies themselves restructuring after the over-investment of the late 1980s, the demand for credit is hardly buoyant. Moreover, the Bank of Japan is

probably right to claim, citing the Muramoto Construction liquidation as an example, that the disposal of these non-performing loans can occur gradually, in orderly fashion, without a risk of systemic crisis in Japan's financial markets. And the bank is understandably worried that a publicly financed bail-out of the banking industry would generate moral hazard problems, although a few more resignations by senior

bank officials would help. Yet unless the Bank of Japan provides funds to capitalise the CCPC, it will take years rather than months for Japan's bad debt iceberg to thaw and melt. And until the banks are restored to health, the prospects for economic

## Airbus Ltd

TO THE Anglo-Saxon eye, the would provide greater transparstructure of Airbus Industrie is an oddity. The four-nation aircraft group is not an ordinary limited company with its own balance sheet and profit-and-loss account but a marketing consortium. whose shareholders own the group's assets and share out the contracts. To outside observers. its accounts are opaque and its-manufacturing decisions often seem excessively influenced by political considerations.

Airbus's shareholders – espe-

cially France's state-owned Aerospatiale - have in the past argued that this structure was essential in the group's start-up phase. They say it enabled the company to operate on a trans-European basis and establish itself as a competitor to Boeing, the world's largest aircraft group. But now some insiders have again begun to question the structure. British Aerospace and Deutsche Aerospace two of Airbus's shareholders argue it should convert to a more conventional company structure which owns its assets and awards contracts on a commercial basis. Last week, Mr Jean Pierson, the group's managing director, who is on secondment from Aerospatiale, gave his backing to speedy reform.

Whatever the pros and cons of Airbus's consortium structure in its infancy, the arguments in favour of reform are compelling now that it has matured into the world's second largest civil aircraft supplier. One reason is that an ordinary corporate structure paying.

ency in its accounts. This should enable Airbus's ultimate owners to judge whether further investment provides value for money. It should also reduce the threat of a trade war with the US, which is able to argue that foggy accounting practices act as a channel for

A second, equally important reason for converting to a limited company is that it would help improve efficiency and so enhance Airbus's chances of competing successfully in world markets. If Airbus owned its assets, it would find it easier to control costs. It would also have greater freedom to follow commercial considerations in awarding contracts to

At a time of deep recession in the airline market, the need to compete aggressively for orders is particularly strong. Boeing has already embarked on a far-reaching efficiency drive. Airbus's partners are doing the same, but not uniformly or with the same vigour. One worrying sign is that Airbus has suffered a fall in net orders so far this year, while Boeing's order book is still rising.

Although Mr Pierson has now been persuaded of the case for speedy reform, this does not mean that the political battle has been won. The French government, in particular, will be reluctant to lose influence over Airbus's operations. But if greater freedom is necessary to secure Airbus's future, that is a price worth

## Russian land

PRESIDENT BORIS Yeltsin's decree last week, giving Russia's collective and state farm workers the right to buy, sell, lease and pass on their share of the land, is an unambiguously good move. It gives Russian peasants a longawaited right - and one long blocked by the now defunct Russian parliament - to emancipate themselves from state-serfdom and to become farmers, or to sall that right to others.

Privatisation of farmland is one of the most essential steps towards building a market econ-ony, but in Russia it has been particularly problematic, thanks to the conservatism of farm directors and to the inertia of the peasants themselves. Subsidies to inefficient state farms are a huge burden on the state budget. Privatisation will push them into the free market, which is already growing as the more enterprising make deals for their produce with traders and middlemen.

But this is only the beginning. People long ago forced into a style of agriculture which emphasised dependence on the state and which criminalised initiative cannot suddenly become efficient producers of food. Like Soviet industry, Soviet agriculture has been pounded into its present shape over decades: that shape is visible in the vast acreage of most farms, in the huge obsolescent tractors and combines and, most of all, in the inadequate storage facilities and hopeless roads via which a quarter of all production is

test bed for reform in association with the International Finance Corporation, shows how much preparation is needed for a successful transition. There, the owntions in a week's time which should see the emergence of a group of medium-sized farms run by farmworkers and bosses, with privatised machinery bases providing them with services. This approach will no doubt serve as a model, but will not be available in many parts of Russia.

active role for some time to come sell, ensuring that conservative directors do not render it meaningless. Mr Yeltsin's decree creates a state inspection service with this task: like the relatively successful state property commit-tees, this must gird itself for prolonged and potentially disruptive

region by region.

Most contentious of all will be the sale of land to foreign compato strengthen it, and at last begin to raise the Russian economy from

r Zhu Rongji, China's economic scarcely testing times than these in his stewardship of the Chinese economy. Nor can China itself have entered a more critical phase in seeking to

expand its economic reforms. When Mr Zhu surfaced in Shanghai a few days ago to open a bridge, it marked one of the very few recent public appearances for a man rarely out of the news in the first half of this year. China's senior vice-premier has had much on his mind, and on his plate, since he unveiled in July a 16-point austerity programme to control China's overheating economy. For the measures

which have raised interest rates, curbed speculative real estate investments and imposed a credit squeeze on state enterprises - have antagonised entrenched interests in the central bureaucracy, and among powerful local officials.

Under pressure from the provinces, and from the state enterprise lobby at the centre, Mr Zhu, who in June assumed the role of governo of the People's Bank, the central bank, has begun to ease monetary policy. The bank loosened credit restrictions in August and September, allowing money in circulation to grow by Yuan19bn (\$1.75bn) com-pared with Yuan1.46bn in the same

period last year.

As the Communist party prepares for the crucial third plenary session later this year of its 14th Central Committee, an important policymaking body, there are two questions: have Mr Zhu and his reformist colleagues managed to preserve the integrity of measures advanced to cool an overheating economy; and perhaps more important, have they laid the groundwork for prog-ress towards the next phase of the economic reform programme.

At this preliminary stage it appears that Mr Zhu, having weathered harsh criticism over some aspects of his austerity package, is close to seeing a fairly ambitious programme for reform of the banking, finance, and trade sectors adopted by the third plenum. China is planning to stiffen the regulatory functions of the People's Bank to enhance its authority over monetary policy and enable it to concentrate primarily on fighting inflation; to unveil a radical reform of the taxation system, including the introduction of a new revenue-sharing formula between the centre and the provinces; and to further liberalise trade to satisfy requirements for accession to the General Agreement on Tariffs and Trade. However, reform of crumbling state enterprises remains a murky area, and Mr Zhu may well have been obliged to back away from mea-

sures that would bring further hard-

Tony Walker and Edward Balls on the trials of China's reformists as they try to cool an overheating economy

# Big chopper falls with a thud

ship to loss-making industries,

Little has emerged publicly of the heated debate within the Chinese leadership over the way ahead, but interviews conducted by the Financial Times with influential figures in economic policy-making have given a flavor of the intensity of discussions. Mr Zhu, at a series of stormy private meetings in Beijing and the provinces, has been forced to defend his actions, especially those that have squeezed funds for state enterprises, some of which are

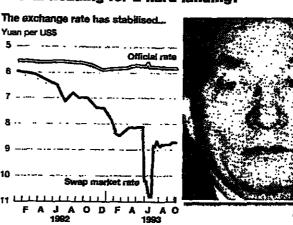
encountering wage difficulties. Mr Dong Fureng, a member of the standing committee of the National People's Congress (which acts like the UK cabinet), and a leading economist, was surprisingly forthright. "Personally, I think Zhu Rongji's macro-control measures should be more flexible. Banks should quicken steps to provide loans to troubled enterprises. The negative effects are growing. If he is more flexible now, the economy will pay a lower price in the end

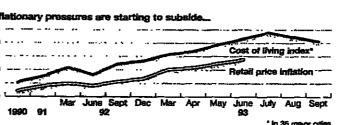
Other prominent officials such as Mr Ye Sen of the Commission for Economic Restructuring were more circumspect. although they made little attempt to disguise their misgivings. "It is very necessary to have macroeconomic controls, but we have to distinguish different situations - we cannot just cut with

one big chopper," he declared.

Mr Zhu's "big chopper", a reference to the heavy-bladed kitchen utensil wielded by Chinese cooks, has certainly fallen heavily. But it has fallen less discriminately than Mr Zhu may have wished. His credit restrictions were aimed at recalling loans made to the "hot money areas of the economy, such as speculative property ventures. Commercial banks have since struggled to recover real estate loans, so instead have recovered funds from profitable state enterprises, which depend on bank credit to finance their working capital.

A significant proportion of the new credits which the government has released since September have been directed to state enterprises, many of them faltering industries which need continuous cheap loans to stay afloat. Such a move may make political sense, but hardly squares with Mr Zhu's policy of China: heading for a hard landing?





redirecting investment towards profitable enterprises. Commercial bank portfolios are bulging with what the Chinese classify as "overdue" loans, but are, in effect, non-

In defence of his measures, Mr Zhu is likely to have argued that initial gains in restraining unsustainable economic activity, and puncturing what had become known as the speculative "bubble economy", vindicate his approach.

His 16-point plan has, in effect, put an end to iflegal interbank lending through financial intermediaries such as bank-controlled trust

and investment companies so-called "triangular debt"; drawn funds back into the banking system by clamping down on the issuance of enterprise bonds; and stabilised the exchange rate in currency trading houses known as "swap centres". The exchange rate slipped to nearly Yuan11 to the US dollar in June, while the black market rate depreciated even further. But higher interest rates and central bank intervention have since stabilised the exchange rate at about Yuan 8.7 to the dollar, while some exporters complain that it is

increasingly hard to sell their for-

eign exchange

The austerity package has also taken some of the steam out of inflation. Annual inflation in the 35 main urban centres was 20.7 per cent in September, down from 23.3 per cent in July. Prices of commodities are also down sharply. For instance, steel prices fell by 34 per cent in the third quarter. Retail

sales growth has also moderated. Mr Zhu has also managed to find the money for infrastructure projects which were starved of funds in the first half of the year and, perhaps more important, he has ensured that restive farmers are being paid promptly for produce acquired by the state. Delays in honoring commitments to peasants had provoked political unrest.

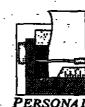
n the six months to June, only 19 per cent of big construction projects under the present 1991-95 five-year plan were being adequately funded. The figure had risen to 70 per cent by September, However, fixed asset investment fell by more than 10 per cent in August over July, although the heady capital spending of the early part of the year resulted in a nearly 70 per cent increase in the eight months to

August compared with last year. But Mr Zhu is not out of the woods yet. World Bank officials express concern that monetary policy has been loosened, even though inflation remains high and industrial output and retail sales are both rising by more than 20 per cent a year. Meanwhile, senior leader Deng Xiaoping's recent reported intervention in the economic policy debate to urge a commitment to reform and to continued economic growth was seen as a possible strike

against party conservatives. The reformists are engaged in a delicate balancing act: they must exercise continuing restraint over an economy expected to grow by 13 per cent this year, at the same time they must confront the political difficulties associated with pressing further ahead into the uncharted waters of China's reform process. Mr Zhu will be worried that in his attempts to restrain activity he risks a hard landing, which may impede his ability to implement the reforms necessary to avoid another boom-and-bust cycle; but if he yields too much ground to those urging an easing of credit he risks a resurgence of inflation.

"Zhu Rongji has a much bigger agenda than slowing the economy,' said a western official in Beijing. "Without the next stage of reforms of the institutions of macroeconomic policy, he knows that China will continue to run the risk of excess demand and instability ... He is trying to put the thread through the eye of a very small

## Nuclear answers need right questions



review of the UK nuclear industry, scheduled for 1994 and then brought filly forward to 1993, is getting off to a slow start. The PERSONAL Treasury, the VIEW Department of

Trade and Industry and the Department of the Environment disagree about the scope of the terms of reference and discussions are stalled awaiting the decision on whether the Thorp reprocessing plant is to go ahead.

The terms of reference could be narrow, as Mr Tim Eggar, energy minister, hinted in June, when he identified the central question as: Would new nuclear power stations be commercially viable in the UK ... without any subsidy from government or taxpayer." A narrow review is unlikely to do more than conclude that the industry may build new plant if it can find private capital. With such terms of reference the review will be futile. Nonetheless, this is apparently the route that government would

like to take, because it is consistent with the market-led energy policy, stoutly reaffirmed in the White Paper, The Prospects for Coal. The danger of a market-led policy is that it is at the mercy of market distortions. These distoritons are serious in the energy sector, and have led to the perverse closure of viable coal mines and power stations while gas-fired plant are opened at higher costs. Taking the same approach to the nuclear industry is likely to

have the same effect. The situation is pressing. The ageing and obsolescent Magnox plant and, very soon, the first of the advanced gas-cooled reactors must be replaced if the nuclear industry is to have a future, and if it is to continue to make the 20 per cent contribution to UK electricity supply wisely proposed by the then energy secretary, Cecil Parkinson, when he designed the privatisation of the electricity supply industry.

Many advantages of nuclear power are not expressed in the marketplace. Supply is secure compared with natural gas, which in the next few decades will have to be brought from ever-more remote areas. Nuclear electricity is one of the few energy forms which pays its environmental costs. If the idea of climate change arising from the greenhouse effect is taken seriously, then it is important to be able to express this benefit in decision-

In the US, Congress has written into the 1992 Energy Policy Act the idea of integrated resource plan-

The danger of a market-led policy is that it is at the mercy of market distortions

ning, which will provide the means to measure the social impact of energy planning. Something similar is needed in the UK. The review offers the opportunity to develop acceptable means of incorporating non-market factors into decisionmaking to establish a balanced portfolio of cost-effective, clean and secure energy sources.

It is one thing to establish what should go into this portfolio; it is another to achieve it in a sector that is largely privatised and market-oriented. The City would not buy nuclear generators the first time round. In the event, Nuclear Electric and Scottish Nuclear performed well, with output per employee rising by more than 50 per cent in three years, and costs falling and profits rising rapidly.

But the fundamental obstacles to privatisation remain; the perception of possible liabilities from decommissioning, fuel reprocessing and waste disposal are intimidating for private investors . There is still uncertainty about the cost of electricity from any new nuclear plant. We believe that electricity from a Sizewell C can be competitive with gas, but it is a question of convincing prospective investors. The main economic advantage of nuclear is that, once built, the fuel costs are low and stable and, therefore, so is the price of electricity.

A new nuclear plant is unlikely without government support. Government must find mechanisms which are coherent with Brussels' competition policy.

Instruments are available. Funding could be by issuing hypothecated government-backed bonds; access to markets could he facilitated by obliging regional electricity companies to contract part of their requirement over, say, 30 years; licences for the construction of power stations could be auctioned, with conditions specifying fuel choice, giving government influence over the type fuel burnt. while maintaining competition.

But the best answers will not be found without asking the right questions. The first step is a broad review seeking the methods of measuring the social impact of energy choices and then the means of implementing the desirable choices.

> Ian Fells and **Nigel Lucas**

The authors are, respectively, professor of energy conversion. University of Neucastle-upon-Tyne, and profes-sor of energy policy. Imperial College of Science, Technology and Medicine

## The Nizhny Novgorod region,

ers are being guided towards auc-

The state must thus play an backing up the right to buy and conflict with vested interests,

nies - though the decree clearly allows this, in association with Russian partners. The taboo has to be broken if foreigners are to be encouraged to become part of Russian reform. The first signs of confidence are returning to foreign companies after the roller-coaster of the past two years. Provided it is properly implemented, this measure could do more than any other

Sir Peter, OED

 One might have thought Sir Peter Middleton, donnish former permanent secretary to the Treasury, would have delighted Bank of England directors last week with his wholly unexpected remarks about the desirability of Bank independence. But the terms in which he couched his remarks have done nothing to endear the waspish ex-mandarin to several directors of the court. In evidence to the Commons

Treasury and Civil Service Committee last week. Sir Peter opined that the composition of the court would have to be changed if the Bank were to assume control in setting interest rates. In particular, all the members would have to be committed to fighting inflation, he went on, "unlike the present mob who look rather like a pressure group in the opposite direction".

Sir Peter, who did not return telephone calls to elaborate on this statement, was doubtless referring to the widespread assumption that many industrialists are less than fanatical about keeping inflation at bay, believing that a degree of price pressure may oil the wheels of the economy. False, cry the outside directors.

Sir Christopher Hogg, chairman

of Reuters, says he considers the

remarks "very strange", while Sir

John "Chips" Keswick, chairman of Hambros Bank, says he has "never met an industrialist either on the court or off it who doesn't think inflation is appalling". Another court member thought Sir Peter was being "fatuous". The longest-serving Bank non-executive. Sir Adrian Cadbury, termed Sir Peter's comments "totally incorrect".

Sir Peter does have the occasional tendency to upset people, which may have been one of the things that counted against him when he was supposedly in the running for the governorship of the Bank before Eddie George was chosen.

#### Lack of the Irish

■ The London office of the European Parliament, doing its bit to celebrate the onset of Maastricht, yesterday invited an expat from each of 10 states of the Buropean Community - sorry, Union - to talk to the press about their new-found rights both to vote in next year's Euro-elections as well as to participate in local polls at a later stage. Somehow missing from the line up was Ireland. Joëlle Garriaud-Maylam, elected

representative of the French community in the UK and Ireland. went on the defensive by explaining that, while Ireland's ambassador had been invited, the Irish did not actually need to take part in this particular celebration since "for historical reasons" they have had

The second secon

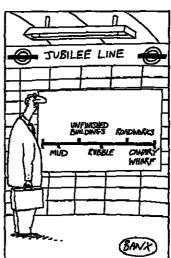
# JUBILEE LINE UNFINISHED BULDARES ROADHARKS

the vote in the UK for many years. member of the audience, who suggested that they could have hastily substituted "any Irish building labourer" in the event I suppose alongside all those

Stationary

More klaxons wailing in the long-running offensive between Northumbria Ambulance Service's chief executive Laurie Caple and

#### OBSERVER Labour MPs from the north-east.



But this failed to satisfy one Irish of the ambassador's no-show. "But lawyers and actors, that would have been a bit embarrassing."

bitterly opposed to Caple's management style and his enthusiasm for commercial income-generation schemes, have tabled an early day motion drawing attention to the latest in a series of tussles over subjects ranging from employees' conditions and dismissals, to the auditing of NAS accounts and the purchase of personalised NAS number-plates.

It transpires that the £70,000 American-made Chevrolet ambulances ordered by NAS do not fit into some of its more modestly proportioned garages.

"There's an element of farce about it all, but it clearly calls into judgment the competence of the original decision to buy the vehicles," says Newcastle Central MP Jim Cousins. But NAS will have none of it.

We've only ordered six, it says. and they will happily fit into 19 of the 24 garages. Observer just hopes that the right ambulance will be in the right garage at the right time.

#### Panoramic view

■ Former KGB major-general Oleg Kalugin had reason to fear arrest throughout most of his eminent spying career, not least during his stint as a Soviet agent in the US. His escape from punishment at the hands of the KGB itself, when he publicly exposed its ruthless

something of a feat. So he can't have been expecting the handcuffs to snap shut at Heathrow airport over the weekend as he tried to slip into Britain on a brief

Kalugin may not have been up to his old spying tricks, but the British authorities could have been unsettled by his latest counter-espionage mission - taking up the invitation of the BBC's Panorama programme to talk about

Perhaps they were serving Kalugin, who was later released, a none-too-subtle hint that the kind of frankness he had demonstrated in exposing the KGB's deeds was less than welcome in the west,

Alternatively, Kalugin's troubles may date back to the interview he gave to The Mail on Sunday in April. Therein, he took it upon himself to spill the beans as to how the KGB had supplied Bulgarian "colleagues" with the infamous umbrella that fired poisoned pellets to kill a dissident in London 15

Kalugin described the weapon in detail; he also revealed that it had been tested by his department first on a horse, which died, and on a man, who didn't.

Blindingly obvious ■ How many PR men does it take to change a light bulb? "None that I am aware of, but that's a personal



## FINANCIAL TIMES

Tuesday November 2 1993



IBA

## Japanese investors paid in toilet paper

By Emiko Terazono in Tokyo

FUND MANAGERS investing in Japanese stocks may find themselves with a pile of manure and toilet paper. Forced to cut dividends as earnings are hit by the country's prolonged economic slowdown, companies are starting to compensate shareholders with produce instead.

With most Japanese companies expecting an earnings decline for the fourth successive year, more shareholders are suddenly being deprived of their dividends.

, a farming machinery maker listed on the Osaka stock exchange, says that instead of dividends it sent its 1,900 share-

holders bags of fertiliser made from manure and studge, while Nippon Pulp and Paper gave 24 rolls of toilet paper to every stockholder. The move also helps companies reduce inventories. Jananese workers are already sacrificing bonuses to help their employers. Managers at NEC last year agreed to accept vouchers

which can be swapped for com-

puters and television sets instead

of year-end payments.
Some companies hope the gifts will help restore confidence, especially among retail investors disheartened by stock market scandals and last year's plunge of the Nikkei average to a sixThe government had hoped that last week's flotation of East Japan Railway (JR East), the partially privatised regional railway operator, would bring retail investors back into the stock market. However, massive profit taking in JR East shares clogged up the Tokyo stock exchange's computer system, sending the market below the psychologically important 20,000 for the first time in three months. The Nikkei fell 264.73 points yester-

day to 19,438,24. Since Japan's traditionally low payout levels have never been much of an incentive for investors - the current average yield for the Tokyo market is about

leader of the constitutional

nationalist SDLP, and Mr Gerry

Mr Major yesterday accepted a

eting to discuss the proposals

request from Mr Hume for a

but the government has ruled out

even indirect contact with Sinn

Féin until the IRA declares an

unconditional ceasefire. In Belfast, Mr Adams

attempted to resuscitate the

Hume-Adams proposals by issu-

ing a statement asserting that

"the leadership of the IRA wel-comed the initiative and pointed

out that it could provide the

However, the government is

determined to sideline the Hume-

Adams proposals to mollify the

Unionists, who have ruled out a

return to round table talks

involving Mr Hume unless the SDLP leader repudiates his links

In a further incentive to the

Unionists, Mr Major linked the resumption of round table talks

to the Irish government's offer to

hold a referendum on dropping

the republics's constitutional

claim to Northern Ireland.

basis for peace."

with Sinn Fein.

Adams, president of Sinn Fein.

0.7 per cent - companies also hope to lure investors with products. In the late 1980s, holders of Tokyo Electric Power shares were presented with ketiles.

Amid public anxiety surround-ing a shortage of rice due to this year's bad summer. Shinden, an electric appliance discounter based in Niigata, northern Japan, has decided to send shareholders bags of premium brand

And as for the products now on offer. "I don't know what I'd do with the manure, but I could do with the totlet paper," says Mr Patrick Thompson at Fleming Investment Management in Lon-

## **US** output expands but are created

By Jurek Mertin in Weishington

THE present US expansion in manufacturing continued in October, but with little evidence of a wave of job creation, according to the National Association of

Production was at the highest level since last March, with 15 of the 20 industrial sectors covered reporting improvement over September. The new orders index jumped to 60.8 per cent compared with 50.3 per cent in the previous month and was the highest since the 67.2 per cent recorded in Jan-

The backlog of orders increased significantly in October, with new export orders rising for the third consecutive month. Inven-

main index had averaged 51.8 per cent over the first 10 months of this year, said a continuation of October's levels for the final two months would imply an overall real growth in gross domestic product for 1993 of about 2.6 per

able gains in productivity.

The only industries reporting growth in employment in October compared with September were furniture, fabricated metals, plastics and rubber, leather and

Department said spending on new construction projects rose by 0.8 per cent in September. The result mostly of new home building, this was the fifth consecutive month of increase.

# few jobs for progress on the joint propos-als produced by Mr John Hume,

Purchasing Management.
Its monthly index of economic

activity, based on reports by purchasing executives, rose to 53.8 per cent last month from the 49.7 per cent of September. Any reading over 50 per cent indicates

tories and prices also fell.
The NAPM, noting that its

Nevertheless, manufacturing employment fell again in October, although by a much smaller amount than the previous month. The employment index stood at 45.5 per cent, up 1 point from September and the highest since last March. A reading below 48 per cent indicates no net growth in jobs. But the current employ ment figures do imply measur-

transport equipment.
Meanwhile, the Commerce

## Major to unveil new peace plan for Northern Ireland

By Kevin Brown and David Owen in London and Tim Coone

THE British government promised yesterday to table a comprehensive peace plan for Northern Ireland if the province's four non-violent political parties agree to fresh peace talks.

Mr John Major, the prime min-ister, told Parliament the proposals would give "focus and direction" to the so-called three-strand talks, which collapsed last year when the Unionist parties walked

Mr Major gave no details of the peace plan, but his office said it was an attempt to bring about a permanent settlement of the Northern Ireland conflict.

The plan is believed to focus on the establishment of a Northern Ireland assembly and the revitalisation of local government. it also builds on the agreement

between the British and Irish governments in Brussels last week, which set out a framework for talks with all Northern Ireland parties except Sinn Féin, the political wing of the IRA.

The plan is aimed largely at the Ulster Unionists, who have long sought to remove control of the province from London.

US review of

Colgate cases, the Supreme Court

will revisit its 1983 decision in a

case brought by Container Corp, in which it upheld the fairness of

Barclays' argument against the

ning against the grain of interna-

tionally accepted tax practice, it interferes with the federal gov-

commerce, enshrined in the US

constitution.

Colgate also argues that if the

court outlaws the method for for-

eign-owned companies, it should

provide equal protection for US-owned multinationals.

The cases are expected to be

argued next March and finally

decided by the end of June.

**Europe today** 

A depression over the Gulf of Biscay will cause showers over Spain, Portugal and

while thundery showers will break out in southern regions. The British Isles will be

places. There will also be widespread log in southern Scandinavia. Eastern Europe will

high pressure. Poland will be mainly cloudy, but Hungary and Slovenia will have sunny

unitary tax

Continued from Page 1

the unitary system.

Unionist party (UUP), suggested that the government might have to offer further concessions on the structure of the talks to tempt the Unionists back to the

Initial reaction from the Illster

Mr John Taylor, the party's spokesman on Europe, welcomed the prospect of fresh proposals but dismissed the round table format as "flawed."

He called for the plan to be discussed in bilateral meetings between the government and the constitutional parties. Sir Patrick Mayhew, the North-

ern Ireland secretary. said the peace process could resume with "bilateral private discussions to clear things out of the way, bank what is bankable from last time, and to see what ultimately is a really serious obstacle. Then may be the time to sit round the table."

Ministers were also drawing comfort from the measured response of Mr James Molyneaux, the UUP leader, who plans to take wide soundings among UUP members before commenting later this week.

Mr Major's decision to offer a fresh incentive to the Unionists to reopen round-table talks

#### Unionists welcome move, Page 8 marks the end of any prospects **British chancellor wins**

Continued from Page 1

the next three years. The other areas which will probably be cut heavily in the unified budget on November 30 are housing and roads, the local authority grant settlement and unitary method is that by runinner city regeneration schemes. By contrast, the Department of Social Security, headed by Mr Peter Lilley, should emerge as ernment's authority over foreign one of the biggest "winners" in

the public spending round.

Mr Lilley has agreed to accept some harsh measures to curb the growth of invalidity benefit payments and to crack down on benefit fraud. But at meetings of the cabinet's EDX committee, where spending levels are thrashed out, there has been general agree-ment that the social security bud-

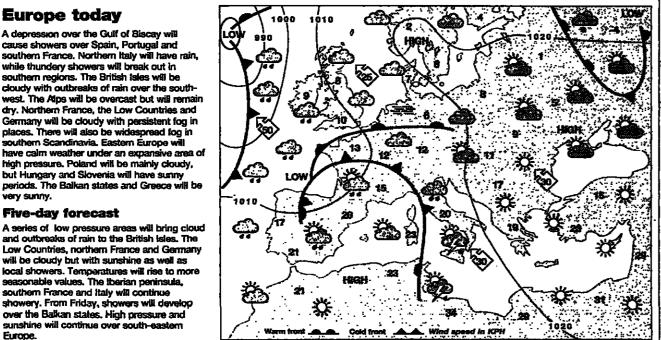
agreement on spending cuts get should continue to rise in real

Real increases in the budgets for health and education are also expected to emerge in the budget later this month, although they will be at a slower rate than in

Yesterday's statement took MPs by surprise because there had only been a limited opportu-nity to discuss public spending at last Thursday's cabinet meeting, which was dominated by North-

ern Ireland. Last year, five sessions of the cabinet were required to reach general agreement on spending levels in the run up to the Autumn Statement. By contrast, departmental spending should be agreed this year after only two sessions of the cabinet.

FT WORLD WEATHER



Five-day forecast

A series of low pressure areas will bring cloud and outbreaks of rain to the British Isles. The Low Countries, northern France and Germany will be cloudy but with sunshine as well as local showers. Temperatures will rise to more seasonable values. The Iberian peninsula, southern France and Italy will continue showery. From Friday, showers will develop over the Balkan states. High pressure and Europe.

TODAY'S TEMPERATURES

Latest technology in flying: the A340

Lufthansa

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Manila
Melbourne
Mexico City
Miami
Mitten
Moscow
Munich
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#### THE LEX COLUMN

## BT's cheap chatline

BT's decision to turn price cuts FT-SE Index: 3164.4 (-6.6) required by the regulator into a mar-keting drive defily makes a virtue of necessity. Its RPI-7.5 per cent price control is a heavy ball and chain to UK market yield carry. BT was also a little unfortunate FT-A All-Share dividend yield (%) that the low inflation rate in the month when the irons were clamped on has made the burden heavier - the company has to cut prices by £500m this year. Yet it chose to announce only £150m of the reduction yesterday. From a marketing perspective, it perhaps makes sense to spin out the good news and ram home one message at a time. It soothes the profit and loss account to go slow on the implementation of lower tariffs, as the regulator has already noted. BT is well within 1988 89 90 its rights. Yet upsetting Oftel might be 91 .

The weighting of price cuts is significant. BT has focused on domestic cus-tomers as competition from Mercury and cable companies increases. Since competition in business services has already cut margins, defending or acquiring domestic customers is the logical next step. Further initiatives will probably be in a similar vein. Such price initiatives may blunt the erosion of BT's domestic base and slow Mercury's advance. Yet if the focus is away from the business market, its impact on Mercury's profitability should be limited.

As Mr Michael Hepher, BT's managing director, points out, telephone systems have high fixed costs. They also require high capital spending. Any increased use of the system is thus welcome. To prosper, BT is going to need to use good marketing to stim-ulate those domestic call volumes now that the watchdog is biting and the competitive wolf is at the door.

Queens Moat Houses

It is a fair bet that Weatherall Gree and Smith will not be seated next to Jones Lang Wootton at the chartered surveyors' Christmas bash. The striking disparity in the two firms' valuations of Queens Moat Houses' hotels has caused a furore among property valuers. It is of particular alarm to the owners of QMH's £215m mortgage debenture stock. They previously believed their stock was generously secured on several of QMH's hotels. They now discover that the revised value of that property no longer covers the nominal value of the outstanding debenture stock.

Undoubtedly, there are particular difficulties in valuing hotels. A hotel's

income stream can vary enormously depending on market conditions, and future forecasts rely on subjective opinion. How that income stream is capitalised to give a present value is also fraught with difficulties. In QMH's case, these calculations were perhaps especially tricky. The fixed fees QMH derived from many of its hotels may have induced a false sense of security about future income flow.

Nevertheless, the Royal Institution of Chartered Surveyors should urgently review its valuation procedures if the profession is to retain credibility. As for debeature holders, they will always depend on vigilant and active trustees to protect their interests. But that task would be greatly simplified if borrowers were obliged to provide prompt and full dis-closure about valuation criteria. That may raise issues of commercial sensitivity. But it would also provide its own rewards: those revealing such nformation should be able to secure funds more cheaply.

UK budget

There is a timeliness to BZW's warning of possible action in the budget to remove the institutions' tax credit on dividends. Other options for raising revenue by pushing up indirect taxes look less attractive, given the strength of political opposition and worries about their impact on the headline rate of inflation. Mr Norman Lamont's initial attack on the credit in April passed with minimal protest. Granted. the equity market fell as it adjusted to lower yield horizons, but that has long been forgotten in the dizzy heights reached subsequently.

by removing the credit, the govern-ment would be creating a level playing field where institutions receive the same return as other investors. In reality, its main purpose would again be to raise revenue. One way or another, companies would end up paying, most probably through an early end to pension holidays such as Brand Guinness have already announced. That would have the same effect on their cash flow as an increase

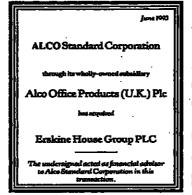
in corporation tax. Nor is there much consolation in the thought that increased pension fund contributions would find their way back into equities. The chances are that an increasing proportion would flow into higher-yielding gilts to meet actuarial requirements on return. Mr Clarke might be deterred by the desire to avoid his first budget being greeted by a slumping stock market. Then again, he would doubtless be delighted if the counterpart was a rising gilt market - in which he will still have to fund a large deficit next year.

Bradford & Bingley

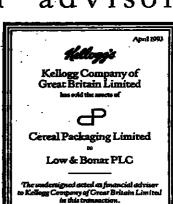
The rules on German mortgage lend ing look so advantageous to lenders that one is surprised that Bradford & Bingley is the first building society to open a Bausparkasse there. Not only does Bausparkasse lending carry a guaranteed margin of 2 per cent. The minimum loan-to-value ratio of 80 per cent means the risk of bad debts is smaller than in the UK where B&B is currently lending up to 95 per cent of property's value. Besides. Bauspar kasse borrowers must save with the institution for at least 18 months before taking out a loan.

Nothing comes without a price, of course. B&B has jumped the first hurdle of obtaining its licence. Now comes the struggle to acquire a share of a market which is pretty well stitched up by established operators. B&B reck-ons its German operation can become profitable on the basis of a 1 per cent market share. That, though, would hardly constitute a meaningful diver-sification for Britain's seventh largest building society. Yet B&B deserves applause for having latched on to the ng-term opportunities in a market that is opening up, particularly to insurance products. Exploiting these opportunities will require patience. but quick-fix efforts at diversification can easily end in tears, as Abbey National's humiliating foray into French commercial lending shows.

IN MERGERS & ACQUISITIONS, recognising and realising opportunity depends on the experience of your advisor.

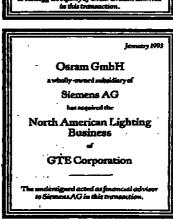


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HYMECCANICA Ansaldo S.p.A. Elsag Bailey S.p.A.



Advising a company successfully on its international corporate strategy requires significant investment in resources. It requires a global network of offices that can make a critical difference to any merger or acquisition. It also requires experienced professionals who add detailed knowledge of commercial realities to the financial skills necessary to structure and complete successful transactions.

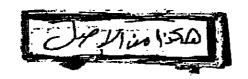
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Brothers advised on sixty-two completed mergers and acquisitions transactions around the world since the beginning of 1993, with a combined value of U.S.\$26,900,000,000. We have also announced further currently pending transactions with a combined value of U.S.\$10,100,000,000. If you are interested in harnessing our global experience, we are ready to work with you.

#### **LEHMAN BROTHERS**



23

Tuesday November 2 1993 Capital Cities in stock buy-back

## INSIDE

#### Union asks Volvo to postpone merger

CONTRACT PURCHASE

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A Swedish trade union leader has called on Volvo to postpone next week's vote by shareholders on the proposed merger of its car and truck operations with France's Renault, saying more time was needed to assess the deal. Union support is important to Volvo because many top labour fig-ures sit on the boards of shareholder institutions.

#### Norway's lifelines may net gains

Christiania Bank and Den norske Bank, Norway's two biggest banks, were forced to their knees last year under the burden of losses and the state threw them lifelines in the form of funding. A year later, the banks are on the road to recovery and planning share issues which could not the state large windfall gains. Page 22

#### Upiohn outperforms

Upjohn, America's 12th largest drugs group, has been one of the best-performing US pharmaceuticals stocks this year. The outperformance is based on the belief that the group has become a takeove candidate. Page 25

#### ST dwarfs the market

Singapore Telecom (ST), the telecommunications and posts utility, made its debut on the Singapore stock market yesterday, quickly dwarfing other companies and accounting for about half the total valuation of the market. Page 26

#### ASW issues warning

Shares in ASW Holdings fell 41p to 147p yesterday after the Welsh-based steel products group issued a profits warning because of rising scrap prices and lower selling prices in the continental European market. Page 28

#### Bass buys into Czech brewer

Bass, the UK's leading brewer, is to acquire a 34 per cent stake in Prague Breweries, the second argest brewer in the Czech Republic, for £9m

#### Xerox claim threatens silver

Silver's biggest market could be threatened in the long term if Xerox's claim to have developed a silver-free film process is justified, said analysts yesterday. Womies about the Xerox breakthrough forced sliver's price in London down by 15 cents a troy ounce, or 3.4 per cent, to 423.5 cents yester-

#### JR East out of favour



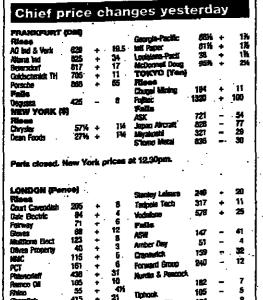
at Y600,000, lost Y28,000 to Y492,090, slipping below the psychological support level of Y500,000 for the first time since its debut on Tuesday. The drop forced the Nikkei average down 1.3 per cent.

#### Market Statistics

FT guide to currencies Firencial fatures

London strare service Liffe equity options London tradit: options Managed fund service Money starteds More int. bond issues World commodity prices World stock mkt indices UK dividends amigumend

Companies in this issue Keiser Aluminum ) inkelever 29 Lloyds Chemists 30 McDonnell Douglas Aer Lingus Alcan Aluminium Ankor 26 Michemey Props 22 Mgn Graniell Equity 26 Mid Kent Atlas Copco Mitsubishi Materials Mit Charlotte Thistie Bradford & Bingley Buff UK Canadian Pacific Capital Citles/ABC Challenge Bank Christiania Benk 21 Muramoto Prague Braweries
Queens Moet Houses
Raytheon
Ruberold
Samsung
Sheraton Courtaulds 29 Singapore Telecom 22 Stariley Leisure 22 Sumitomo Metal M'ng Den norske Bank Thomas Cook Foster's Brewing GR Holdings 22 Trinity Inti 18 Upjohn Hafslund Nycom Volvo Whari (Holdings)



By Frank McGurty in New York

CAPITAL Cities/ABC has offered to buy from its shareholders up to about 12 per cent of its existing common stock which could cost the cash-rich group between \$1.18bn and \$1.26bn.

The move stands in contrast to the emphasis within the US media industry on building technological alliances though acquisitions and joint ventures. Capital Cities, which owns the ABC television network, also

announced yesterday its president and chief executive, Mr Daniel Burke, 64, would retire in February. Mr Thomas Murphy, chairman, will assume the duties of chief executive while continuing in his current position. The enhanced role for Mr Murphy, 68, is surprising. Industry observers had expected Mr Robert Iger, who as president of the television network helped increase the profitability of its prime-time programming, to be given at least one of Mr Burke's titles.

Under terms of the tender offer, Capital Cities has invited shareholders to specify a price within a range of \$630 to \$590 a share - at which they are willing to sell their stock.

Assuming the offer - known as a Dutch auction - generates sufficient interest, the company will then determine the lowest price at which it would able to buy 2m shares and proceed with the purchase of all shares offered at or

On Wall Street early yesterday,

the shares were \$5% higher at \$615 in light trading. Capital Cities said it had

decided to make the offer because was the most attractive use for its cash surplus of about "Acquisitions have not been

available at prices the company believes would result in attractive returns for its shareholders," It said that after the stock

repurchase it would have ready access to sufficient capital to pur-

#### sue attractive investment opportunities that may arise. The company added it had already paid off all of its long-term debt currently avail-

able for repayment, including about \$500m in liabilities this year. Mr Peter Appert, an analyst with CJ Lawrence, the New York securities house, said the offer shows Capital Cities is going to stick with its financial discipline and not get sucked into the euphoria over consolidation and

#### William Dawkins looks at the effects of the fall of Muramoto Construction

## Shock runs through a debilitated system

(\$5.5bn) collapse of Mura-Construction, Japan's largest since the second world war, sends a chill through the banking industry at the worst possible time.

The hig question hanging over the Japanese banking system yesterday was whether the damage from Muramoto would be localised, or whether the harm to its 50 bank lenders would trigger other collapses among construction industry suppliers. Bank of Japan and finance ministry officials last night played it down, predicting that the collapse was unlikely to destabilise Japan's

financial system. "The total is so large that adverse effects to creditor banks will be inevitable. But overall, I think they can absorb the loss through their financial strength,' said a senior central bank official. The Bank of Japan would monitor the effects on lending banks and on the general economy, but did not expect "any significant adverse impact," he said

The western Japan-based company's decision to file for protecconsequence of over-investment during the fast rise in asset prices of the late 1980s, in overvalued golf courses, condominiums and other properties.

The most over-extended property companies collapsed immediately after the puncturing of property prices two years ago. Muramoto, however, managed to struggle on, only to hit the bankine system at a moment when banks are already cautious about lending, in the middle of the worst recession since the 1973 oil

A mark of the seriousness of the construction industry's recession came yesterday with the decline in construction orders among the top companies for 19 years - down 22.3 per cent in the six months to September, according to the Japan federation of

construction contractors. Currently, both demand for and supply of credit are weak across the economy. Industrial companies are reducing investment and cutting excess capacity built up during the latest 1980s, while banks are keen to avoid adding to their already heavy bad

The top 21 banks' bad debts

#### 'It is a familiar consequence of over-investment in over-valued golf courses and other properties'

stood at Y12.700bn at the end of - just over 3 per cent of loans since when they are believed by the Japanese press to have risen to more than Y14,000bn.

t is no surprise, therefore, that outstanding loans at the leading 11 commercial banks fell by 0.5 per cent in the six months to September, the first six-monthly drop recorded since the federation of bankers' associations of Japan started its surveys in 1954.

The federation denies that there is a credit squeeze and has sent out a directive to its members to maintain a supply of credit to industry. Yesterday's

news can hardly encourage

It was unclear exactly what triggered Muramoto's lenders to withdraw their support when many other financially shaky construction and property companies continue to be kept affoat by their banks.

Muramoto began work on a debt restructuring last April, Daiwa Bank and Nanto Bank, the main regional bank in Nara prefecture where the company is based. Muramoto has close links with Nanto bank, as the bank's second largest shareholder, with

a 2.5 per cent stake. Daiwa has every interest in avoiding another expensive imbroglio after having had to splash out Y70bn earlier this year to rescue Cosmo Securities, a stockbroking affiliate.

The main bank creditors put their own management into Muramoto, in line with Japanese banking practice, and proposed to change the company's president and liquidate its assets. However, other lenders opposed the restructuring scheme, with itself unable to honour its bills.

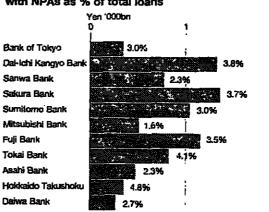
Teikoku Databank, a private credit research agency, believes banks were prompted to withdraw support on the discovery of large off-balance sheet loans by Muramoto to its own contractors. Failures of property companies that had undertaken joint developments with Muramoto contributed to a sharp rise in bad debts.

said Teikoku, Muramoto would not comment and Nanto Bank simply said it judged that further support would not improve Muramoto's

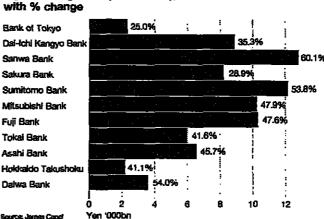
If Teikoku's theory is true, then the Muramoto collarse

#### Japanese bank exposure

Non-performing assets (Yen '000bn), with NPAs as % of total loans



5-year loan growth (Yen '000bn),



could be localised, rather than being read as a more worrying signal that banks are unable to

afford the continuing risk. Until yesterday, Muramoto was an obscure unquoted family controlled company, Japan's 24th largest construction group, virtually unknown outside Nara prefecture, where it is a pillar of the industrial establishment. Founded in 1908, it has 2,200 employees and recorded sales of Y291.5bn in the year to June, on which it made a Y2.8bn loss, due to heavy interest payments.

If previous failures of this scale are any guide - such as the Y520bn collapse of the Sanko Steamship shipping company seven years ago - Muramoto's creditors will now attempt to rebuild the remnants into a going

It took Sanko Steamship's banks four years to restart the company, the largest post-war bankruptcy at that time. Muramoto lawyers were yesterday quoted as saying that it would take 10 to 15 years to restructure the construction group.

## **Building** society sets up German operations

By Alison Smith in London

BRADFORD & Bingley, the UK's seventh largest building society, has become the first non-German institution to be given permission to set up a Bausparkasse. the German equivalent of a

building society. The society said yesterday that it would establish two operations in Hamburg: a Bausparkasse and a marketing company. The latter will distribute the B&B Bausparkasse tariffs, or contracts, through brokers and sales companies. It will also target independent insurance and investment houses, which could add B&B products to their ranges. Most German societies are owned by insurance companies or by banks with a link to an insurance company.

The move marks a further stage in UK societies' interest in developing businesses in continental Europe. Halifax, the largest society, has been granted a licence to take retail deposits for mortgage lending in Spain.

The B&B Bausparkasse will open in January and take deposits for 18 months before issuing loans. B&B believes the project will make a small profit in its first full year.

It aims to win 1 per cent of the market. The 34 existing Bausparkassen accounted for DM4.5bn (\$2.7bn) in net lending in 1991 some 15 per cent of the total, according to the Bundesbank. About 17m Germans have contracts with Bausparkassen

Formerly, the German home loans market has been served almost exclusively by domestic institutions, apart from loans made by foreign-owned banks.

While the relatively low level of home-ownership - 40 per cent of Germans are owner-occupiers compared with 67 per cent in the UK makes the German marrequirements have deterred other societies from establishing operations. Mr John Smith, B&B's finance

director, said the German system of fixed rates for lenders and savers had benefits for both sides. The move represented "a good way into a major market without any great balance sheet risk". B&B also believes that the operation will enable it to market financial services. It should leave it well placed for the opening up of the life insurance industry when the EC's third life directive comes into effect next

## McDonnell Douglas beats recession and expectations

MCDONNELL DOUGLAS, the US aerospace group, yesterday reported record third-quarter earnings of \$142m. It also forecast it would top Wall Street's expec-tations for the full year, despite the sharp downturn in US defence spending and a recession in the civil aviation industry.

The results underscore a yearlong financial recovery at McDonnell Douglas, helped by a large cost-cutting programme. Its shares rose \$2 on the New York Stock Exchange, to stand at \$95% at lunchtime.

The earnings worked through at \$3.62 a share, compared with a loss of \$42m, or \$1.09 a share, in the same period last year, when McDonnell Douglas took a \$167m after-tax charge on the C-17 military transport. Revenues dipped

from \$3.89bn to \$3.43bn.
Its military aircraft operations made \$142m, compared with a \$166m loss. Commercial aircraft made \$16m, down from \$37m, and missiles made an unchanged \$65m, despite a \$51m pre-tax charge for electronic systems

The figures were affected by various special items, resulting in a net unusual gain of \$41m. Stripping this out, the company made \$101m, or \$2.57 a share in the quarter, and \$308m, or \$7.85 per share in the first nine months of the year.

The period saw further improvement in the company's balance sheet, with debt of its manufacturing side falling \$369m to \$1.97bn, 29 per cent lower than at the start of 1993. Mr Herb Lanese, finance direc-

posed aims of cutting debt to \$1.8bn by year-end and generat-ing \$1bn in 1993 cash flow, now appeared conservative. So too were Wall Street fore

casts that the group would earn \$10.78 a share from operations for the full year, or \$2.93 in the final quarter. The company expected to top the record \$3 a share it earned in the final quarter of 1988. These figures exclude any charges the company might make for the C-17. McDonnell announced last

week that such a settlement could mean a \$450m pre-tax charge against earnings but would not mean a significant cash impact and would allow the C-17 programme to continue. Congressional officials have suggested the initial programme size could be cut from 120 aircraft

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### tor, said the company's self-im- to 40. Hotel valuations cause a stir

#### By Andrew Jack and Michael Skapinker

ASK UK chartered surveyors about property valuations and they raise their little red book of professional guidelines. But this revered text has been called into question following the widely divergent valuations given to the

assets of Queens Moat Houses, the hotels group. In QMH's accounts for the year to December 31 1991, Weatherall Green and Smith, a leading firm of chartered surveyors, valued the company's properties at £2bn. One year later, a draft valuation by the same firm offered a figure of £1.35bn. QMH opted instead for a rival valuation from Jones Lang Wootton which was still

lower at just £861m. QMH's

assets include more than 22,000

rooms in 189 hotels, in the UK, Germany, France, the Netherlands, Belgium and the US. The size of the discrepancies

has become a talking point in the profession. One surveyor said: "It doesn't help our reputation, but there are very few incidents where you have a disagreement as large as this." The Royal Institution of Char-

investigation into the differences. Officials stressed, however, that there was no evidence the two firms had breached its valuation A number of factors may explain the divergent figures. The hotel sector was in decline during 1992, which could account

for the fall between the 1991 and

tered Surveyors, which produces

the red book, has launched an

tions. Weatherall's 1992 estimates were prepared several months before those made by Jones, by which time the market had deteriorated further.

Equally, it is unclear whether the two sets of figures were prepared on the same assumptions. Jones may have been asked to estimate a worst-case for sale of botels in the current depressed market; while Weatherall may have assumed the hotels did not need to be sold.

Mr Russell Kett, an associate with the hotel and leisure consulting division of Touche Ross, says: "The reason that many hotels have gone into receivership in the last two years is as a result of properties being ascribed values which have proved unsupportable against

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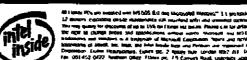
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#### INTERNATIONAL COMPANIES AND FINANCE

## Union leader urges delay for Volvo merger meeting

A SENIOR Swedish trade union leader yesterday called on Volvo to postpone next week's vote by shareholders on the proposed merger of its car and truck operations with France's Renault. Mr Peter Nygards, head of the white-col-lar union SIF, says more time is needed to assess the deal. The SIF has more than 5,000

members employed at Volvo. Mr Nygards was the first national trade union leader to publicly voice doubts about the merger, which has run into stiff resistance from the Swedish institutional shareholders who will decide the issue at a special shareholders meeting called for November 9.

"[Postponement] is the only reasonable way, as there are today too many large uncertainties about how the merger will function in prac-

tice," Mr Nygards said. Union support has been extremely important to Volvo because many top labour figures sit on the boards of shareholder institutions.

The SIF leader is a member of the board of the Fourth Fund state pension fund, which is the second-largest Volvo shareholder after Renault, with 7.5 per cent of the voting capital. The Fourth Fund is due to announce tomorrow how it will vote on the Renault-Volvo merger. Its decision is widely reckoned to be a key indicator of whether the deal will stand or

Mr Nygards is also on the board of the insurance group SPP, which has 4.5 per cent of Volvo's voting capital and is also due to announce its final decision this week.

Volvo was under strong pres-sure from shareholders yesterday to provide further clarifica-

#### licences for Dr80bn

Volvo will have a 35 per cent

French state. They fear this could be used in future to limit

Volvo's shareholding to 20 per

Volvo acknowledged the

company faced a "Catch 22" on

Swedish shareholders have

suggested postponing the merger until after privatisa-tion, saying Volvo's share can-

not be fully evaluated until

Renault is a quoted company. However, Volvo has accepted

the French case that Renault

cannot be properly valued for privatisation until the the

cent of Renault-Volvo.

Greece to

sell casino

share. However, Swedish shareholders are concerned by THE Greek government hopes to raise at least Dr80bu a lack of guarantees that stateowned Renault will be priva-(\$343m) from the sale of eight tised as promised and by provinew casino licences to internasions attached to a subsequent tional operators by the end of golden share" held by the

Although the new socialist government has halted most projects included in its prede cessor's privatisation pro-gramme, the casino scheme is to go ahead as planned, according to the economy min-

Hyatt International, Sheraton, and Conrad Hilton are among 16 bidders shortlisted to set up and manage casinos in Athens, Thessaloniki and the resort islands of Corfu,

Crete and Mykonos. Under the licensing terms. the Greek state will take a 20 per cent cut of the casinos earnings. Remaining profits will be taxed at the local corporate rate of 35 per cent. The licences will have a 15-year duration.

In addition to producing estimated revenues of at least Dr120bn yearly, the casino project will upgrade Greece's tourist industry by ensuring investment in luxury hotel

facilities. Under the terms of the licence, the casino operators would construct or refurbish botels or resorts where the casinos are to be located.

Hyatt Casino Corporation, the group's gaming subsidiary, would invest \$200m in a luxury hotel and casino on a greenfield site in an Athens suburb. ITT Sheraton is bidding to acquire Ionian Hotels, the state-controlled company which owns the Athens Hilton.

Conrad Hilton of the US. would invest up to \$300m in building a casino complex and new hotel at a state-owned resort at Vouliagmeni near Athens. The company has signed a contract to manage the resort, in association with the Alex Spanos group, a Californid-based property devel-

Greece's three existing casi nos, which are operated by the state tourist authority, would shut down to make way for the private operators.

#### hospital for examination," Mr hristiania Bank and

Norway's two biggest banks, were forced to their cut the important overnight lending rate 13 times this year, knees last year under the burden of large losses. In to 7 per cent from 11 per cent. desperation, the state threw money-market rate has fallen them life-lines in the form of funding to enable capital dequacy requirements to be

One year later, the banks are on the road to recovery and planning share issues which Mr Lund concedes that last could net the state large windfall gains. Analysts have warned the government against dumping its shares in the market at the same time as the banks' issues are launched.

At current prices, the state's shareholdings in the two banks are worth about NKr17bn (\$2.4bn). According to Mr Ole Lund,

DnB's chairman, the bank is approaching the "sunny side of life" but is not yet there. DnB's high volume loan losses and non-performing loans are still lingering at unacceptable

Hopes are to reduce the level of credit losses during the next 11/4 years by 50 per cent to about NKrl.3bn

On Tuesday, DnB published record result since being formed from a merger in 1990 between Den norske Creditbank and Bergen Bank. Pre-tax profit of NKr720m for the nine months to September was achieved, against a pre-tax loss of NKr2.45bn last year. CBK is due to report nine-month results on November 4 and could, on the same day, announce the details of its planned share

The sharp improvement in the banks' health is due mainly to the low level of domestic interest rates, a marked rise in the domestic stock market, steady recovery of Norway's economy and emerging results of the past five years' hard slog of consolidation and restruc-

"Nobody last autumn would have believed we would have had the level of interest rates which we see today and if it had been suggested, the forecaster would have been quickly escorted to the nearest

Lund said. Norway's central bank has

Norway banks see a brighter day

The three-month domestic by nearly 50 per cent in the past year to 5.6 per cent after hitting a high last December of 21.6 per cent during turmoil within the ERM.

autumn was a low point for the banks. "We had tremendous losses, turmoil in the currency and stock markets and the collapse of UNI Storebrand [Norway's biggest insurer] and Investa [the Bergen-based investment group]."

owever, the banks' operating environment has since brightened. Inflation is at 2.3 per cent. its lowest level in three decades and economic growth is forecast to accelerate to 3.0 per cent next year from 1.3 per

The two banks' planned share issues will have to be co-ordinated carefully so as not to destroy the market. And there is the matter of what the state intends to do with its shareholdings in the banks and its rights to convert preference

Analysts have forecast that DnB would try to raise up to NKr2bn in one Issue but that CBK would make an initial issue and seek a listing in an attempt to improve the bank's market valuation before a second tranche is launched.

CBK earlier this year said if intended to launch a public offering before 1994 but Mr Lund says DnB will have to first publish 1993 accounts and, preferably, have first-quarter results behind it before making a similar move. DnB wants to expand the

bank's foreign ownership quota to 33.3 per cent from 12.5 per cent.

Domestic and foreign nalysts believe it analysts

#### Fokus Bank returns to profit

FOKUS Bank, Norway's third biggest commercial bank, yesterday reported that it had bounced back to pre-tax profit of NKr246.8m for the nine-month period of this year from a loss of NKr399.7m in the same period last year, writes Karen Fossii in

Fokus attributed the sharp improvement to a 50 per cent increase in credit losses, lower costs, and an improvement in securities and foreign exchange gains.

Group net interest income slipped to NKr821m from NKr868.4m in spite of a 50 per cent reduction in interest costs to

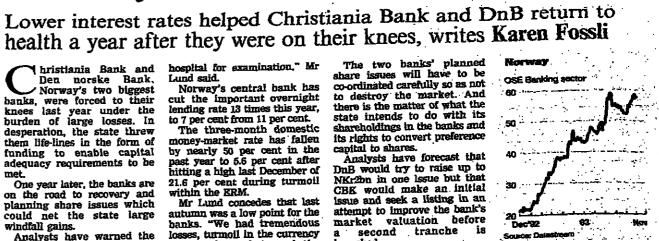
NKr1.23bn from NK2.46bn. Operating profit, before credit losses, rose to NKr500m from NKr193m as credit losses were cut by more than half to NKr301.1m, or 1.33 per cent of gross loans, from NKr620.4m.

Fokus said the volume of non-performing loans had declined by 33 per cent since end of last year but attributed the distribution of loan losses to 74 per cent by the corporate sector and 26 per cent by private customers.

"It is with satisfaction we announce that positive developments in our result have continued. Even without income from securities and foreign exchange operations the bank shows a profit after losses," Fokus said. The bank achieved securities gains of NKr131m against los

of NKr76.5m during last year's nine-month period as foreign currency gains more than doubled to NKr46.8m from NKr20.2m. Fokus returned a net profit of NKr246.8m against a net loss of NKr432.2m last year. Group operating costs were cut to NKr770.2 from NKr1.01bn. "The bank is now seeing the results of a major turnround

operation and we will continue to reduce operating costs," Fokus said.



advantageous for DnB to be the first off the mark because it is stronger and better known internationally than CBK and the added benefit of a listing on the Oslo

DnB's A-shares have increased five-fold to about NKr20 each since the end of 1992 as the Oslo bourse bank sub-index soared by 160 per cent during the same period.

At current share prices the state's DnB stake is worth about NKr3.5bn, excluding preference capital which, if converted to 350m shares at the bank's current share price, would be worth about NKr7bn.

The state's shareholding in Den norske Bank thus equals about NKr10.5bn compared to NKr6.4bn which it injected into the On the other hand, analysis

say, if CBK's share issué is a success the likelihood of DaB achieving good fortune with its issue would be hoistered. The state holds a 69 per cent

stake in DnB which would be increased to above 80 per cant on a fully diluted basis if preference capital was converted to shares. The state virtually owns

CBK, but the 7 per cent held by private investors is traded outside the bourse at about NKr17 a share.

A sale, even at this price would net the state a handsome return. It would underline how light has nierced the gloom of Norwegian banking in the past five years.

#### Philips alters ownership link with Grundig

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is to make changes to the structure of ownership at Grundig, the German consumer electronics company in which it has a 31.6 per cent

However, Philips stressed that the move would have no effect on its relations with Grundig, over which it has exercised management control since 1984, nor on the level of its Grundig holding, which will remain at 31.6 per cent. Philips fully consolidates loss making Grundig in its annual

accounts The Dutch company said it planned to spend a sum of less than Fl 1m (\$525,000) on buying out three German and Swiss banks which own shares in Grundig Verwaltungs GmbH. This company is the managing partner in another company. Grundig E.M.V. & CO KG, which acts as a corporate control and profit transfer company for Grundig AG.

## Hafslund nine-month profits increase 5%

By Karen Fossli

HAFSLUND Nycomed, the Norwegian group best known for its radiology products, yesterday reported a 5 per cent increase in nine-month pre-tax profits to NKr1.18bn (\$168.6m) from NKrl.13bn in the same period last year. It was helped by the strength of the US dol-

lar and Japanese yen. Hafslund said it would reduce costs in the fourth quarter, and channel more resources into research and

Group sales in the first nine months of this year rose by NKr357m to NKr4.17bn as operating profit, before research and development costs, slipped by NKr47m to NKr1.68bn. R&D costs increased by NKr67m to NKr527m. The group posted financial gains of NKr35m against charges of NKr138m in the same period last year.

development and strengthen

its marketing network.

Hafslund lifted net profit in the first nine months of this year by NKr33m to NKr830m.

#### Atlas Copco buys US group

By Christopher Brown-Humes

ATLAS Copco, the Swedish industrial components group, has agreed to buy the European standard compressors business of Indresco, the US

group, The purchase, on undisclosed terms, will strengthen Atlas Copco's leading position in the European compressors

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market and broaden its product range and distribution net-

The operations being acquired are based in Meru in France and are marketed under the names, Creyssensac and Worthington.

They have annual sales of \$50m and about 240 employees. The most important markets are France, Spain, Italy and the UK.

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#### NORTHERN IRELAND AIRPORTS LIMITED

As previously announced, the Department of the Environment for Northern Ireland intends to privatise Belfast International Airport in 1994 and the enabling legislation, an Order in Council, will shortly be laid before Parliament for approval. Preliminary expressions of interest are now being sought from prospective purchasers who wish to pre-qualify.

Belfast International Airport is the fifth largest regional UK airport and the leading airport in the Province. In 1992/93 the Airport served over two million passengers, generated £23 million in turnover and £2.5 million in profits after tax.

A Pre-Qualification Memorandum is now available to interested parties. This provides outling information on the airport. It also sets out the data which the Department of the Environment for Northern Ireland initially requires in order to pre-qualify purchasers.

Pre-Qualification applications should be submitted by 1 December 1993.

Prospective purchasers who pre-qualify will be provided, subject to confidentiality undertakings, with a detailed Information Memorandum to assist them in preparing

The Pre-Qualification Memorandum is available from the lead advisers to the Department of the Environment for Northern Ireland on the privatisation:

Eileen Walker, Touche Ross & Co

Friary Court, 65 Crutched Friars London EC3N 2NP Tel: 071 936 3000

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mvites western and eastern companies which specialise in arranging financia chages to submit documentation, giving details of their specific background in the economic and financial sectors. icants will be invited for negotiations, before being asked to submi

proposals for the first phase of this operation, which involves a feasibility study on the establishment of this company.

Bank of Communications
(The Perspectation Bank of The Cevelopotent Bink : the Republic of China) U.S. \$100,000,000 Floating Rate Notes due 2001 teres Perod 29th October No the Interest Ferral 29th Cythole, 1995 to 29th April, 1994 the Norw will carry a Rane of Interest of 1,5375% per annum, with a Coupon Amount of U.S. 34,471.01 per U.S. 3550,000 Nore. The relevant Interest Payment Date will be 29th April, 1994. Bankers Trust Company, London Agent Bani

LANDSVIRKJUN U.S. \$60,000,000 Due 2000 In occordance with the provi

sum, at the Notes, notice thereby given that the Rate of Interest for the period 20th October, 1995 to 29th April, 1994 is 5,25% p.a. Coupon amounts will be US 5265,42 for rhe US \$10,000 denomination and US \$0,035.42 for the US \$250,000 denomination, and will be payable on 20th April, 1994 against surrender of raipon No. 17

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US\$ 150,000,000 **Guaranteed Floating Rate Notes due 2011** 

In accordance with the Description of the Notes, notice is here-by given that for the Interest Penod from October 29, 1993 to January 31, 1994 the Notes will carry an Interest Rate of 5% per annum.

The Interest Amount payable on the relevant Interest Payment Date, January 31, 1994 against coupon N° 31 will be US\$ 130.56 per US\$ 10,000 principal amount US\$ 250,000 pancipal

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in accordance with the provisions of the notes, notice Interest period 29th October. 1993 to 31st January, 1994 the notes will carry an interest rate of 6.05% per annum. Interest payable on the relevant interest payment date 31st January, 1994 will amount

to 21,558.08 per £100,000 note.

Agent Bank; Bank of Scotland

Mortgage Securities (No. 1) Pic 220,000,000 Class B

Mortgage Backed Floating

Rate Notes due 2023

in accordance with the provisions of the notes, notice interest period 29th October, 1993 to 31st January, 1894 the notes will carry an interest rate of 6.25% per annum. interest payable on the relevant interest payment date 31st January, 1994 will amount

to £1,609.59 per £100,000 note Agent Bank:-Bank of Scotland

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£200,000,000

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The rate of interest for the three month period 29th October, 1992, 31st January, 1994 has been fixed at 6.075 per cent, per annuary, Coupon No. 22 will therefore be payable on 31st January, 1994 \$2,564.52 per coupon. aggregate interest charging balances of Mortgages redec previous Interest Period: £4,383,716.21

Aggregate interest charging balances of Mortgages redeem 29th October, 1993: £195,872,425,47 The aggregate principal amount of Notes outstanding 29th October, 1993: £93,200,000

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#### **FT CONFERENCES**

Dubai, 8, 9 & 10 Novembe a in depth the political, economic and structural changes which the comm Mr Pictor Boxw, President of KLM Royal Dutch Airlines, Mr Colm Barrington, Assis Executive, GPA Group pic, and Dr William Framme, Director, Air Navigation 8 International Civil Aviation Organisation

WORLD ELECTIFICATION
Landon, 16 &17 November
This year's FT/Power in Europe conference brings together speakers from Europe, the USA, Latin America. South Africa and China to debate how the electricity industry is responding to a more competitive environment, Speakers include: Mr Nicindas Argyns, Commission of the European Communities; Dipt. Ingl. Ludwig Strauss, Bayernwerk AG: Professor Jan Popczyk, Polish Grid Company; Dr Mery D Archer, National Energy Foundation; Mr Glantrance Castelli, ENEL SpA and Mr Robert J Saundors, The World Barth.

THE ECONOMICS OF RAIL PRIVATISATION - OPPORTUNITIES FOR THE PRIVATE

London, 22 November

Condon, 22 November

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THE PETROCHEMICAL INDUSTRY

Global Prospects Beyond the Recession.
 London, 22 & 23 November
 The current challenges lacing petrochamical producers and the longer term outlook for the

Industry will be reviewed, with papers on priong, restructuring, corporate governance and competition issues. Spoakers include: Mr Robert D Kennedy, Union Carbide Corporation; Mr Cilve H Thompson, ARCO Chemical Europe, Inc. Dr Albert D Richards, Credit Sulsse First Beston; Mr Makolo Takeda, Martech, Inc., Dr Naji Amin Alalia, Gulf Organisation for Industrial Consulting: Mr Andrew Reynolds, Applied Mariest Information Ltd and Mr Edward A Wilson, Dow Europe SA.

#### VENTURE FORUM EUROPE '93

London, 29 November - 1 December Arranged jointly by the Financial Times and Venture Economics, the Forum brings togethe industry deports from Europe and the USA to discuss the issues and opportunities affecting the European vanture capital community. The Forum will include sessions on new approaches to fund raising; buyouts; the outlook for tochnology investing in Europe and

#### DOING BUSINESS WITH SPAIN

D. Luis Angel Rolo, Governor of the Bank of Spain.

- The Economic Challenge of the New Government.

Medrid, 1 & 2 December

The FT's armial conference, arranged with Expansion and Actualidad Economica, review the economic, budget and jabour policies of the new Spanish Government as well es review are securities, outget and passes process of one lew speakers. Currentlying a series in Important questions on Europe's Induse and the conditions for monetary and political union. The distinguished panel of speakers Indude: D. Pedro Solbes Mira, the Spanish Minister of Economy & Finance, Prof Dr Otmar Issing, Member of the Board, Deutsche Bundesbank D. José Antonio Grinán Martinez, the Sponish Minister of Lobour & Social Security, and

ications industry, with particular emphasis on regulation and the methods challenges and obstacles of privatisation. Speciliers include: Mr Don Cruickshank, Directo General of OFTEL, Mr James H Quello, Chairman of the Federal Communicati Commission, Mr Marc Dandelot. Conseller d'Etat, French Ministry of Poets and Telecommunications, Mr Pal Horváth, Director General of the Hungarian elecommunications Company and Mr Bessel Kok, Chief Executive Officer of Beloa

#### PENSIONS - A Time for Change Landon, 7 & 8 December

issues of concern to pension fund administrators and their advisers and exemine inve assues or concern to person fund administrators and mor advisers and element in termination. Mr William Hague MP, Department of Social Section will give the opening address and speakers include: Mr Torn Ross, Clay & Partmers; Mr Brian Matthews. ESN Pension Management Group; Mr Hugh Stovenson, Mercury Asset Management Group pic; Mr Ros Spill, Legal & General Assurance Society Limited and

#### THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND Vienna, 13 & 14 December

demand, and examine the financing of gas projects. Speakers Include: Mr Flichard C Green Jr. UtillCorp united Inc; Mr H John Hamkshaw, BP Exploration Operating Company Limited Mr Cedric H Brown, British Gas pic; Mr Horbert Detharding, Wintershall AG; Mr Djamel Morad, Sonetrach and Mr Reza Roslami Sant, National Iranian Ges Company (MIGC)

All enquiries should be addressed to : Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24 hour answering service) Telex: 27347 FTCONF G Fax:

#### FINANCE INTERNATIONAL COMPANIES AND

## Canadian Pacific result shows continuing recovery

CANADIAN Pacific, the transport and resource group, continued its underlying turnround in the third quarter but the results were dragged down by special charges. The improvement is expected to continue, despite a slow Cana-

dian economy.

The last-expanding PanCanadian Petroleum, 87 per centowned, and Fording Coal, a western exporter, made sharply higher contribution in the third quarter and nine months. The rail unit did better in the second and third

CP Ships, CP Trucks and CP

COMPAQ Computer yesterday

launched an array of new per-

sonal computer products and

slashed the prices of some its

The large number of new

models reflects increasing seg-

mentation in the personal com-

puter market, with separate

product lines aimed at differ-

ent distribution channels and

types of customers, from indi-vidual purchasers to large cor-

Other PC companies, includ-ing Apple and IBM, are follow-

ing a similar strategy with dif-

SIEMENS, South Africa's Reunert and GEC of the UK

are to rationalise their South

African telecommunications

activities with the aim of

strengthening their position in

the local market and improv-

A new company. Slemens

Telecommunications, will be

created to focus on providing

Telephone Manufacturers of

South Africa (TMSA), an exist-

ing export prospects.

models by 10 to 23 per cent.

By Louise Kehoe

in San Francisco

porate buyers.

By Philip Gawith

in Johannesburg

Hotels improved their perfor-

Third-quarter income from continuing operations was C\$1.7m (US\$1.3m), up from C\$1.6m a year earlier, but after special items the overall loss came out at C\$106.8m, or 33 cents, against a loss of C\$205.6m or 64 cents. Revenues were C\$1.7bn, from C\$1.6bn.

The first nine months showed income from continuing operations ahead at C\$160.3m, from C\$95.3m, but after special items the loss was C\$73.1m or 23 cents a share. compared with a deficit of C\$224.3m or 70 cents a share. Revenues were C\$4.8bn.

Compaq launches new products

Compaq's new products for business users include high

performance desktop PCs

based on Intel's latest Pentium

microprocessors, with prices

Other new models include

energy-saving features that

can significantly cut electricity

consumption and costs in

offices. New ProLinea models.

with built-in PC networking

capabilities start at about

Compaq also stepped up its

presence in the rapidly-grow-

ing consumer PC market with

the introduction of 10 new

**Telecoms venture to be reshaped** 

three groups, will be restruc-

tured and concentrate on mak-

ing terminals, pay-phones and

Siemens Telecommunica-

tions will be 51 per cent owned

by Siemens of German, 27.5 per

cent by Reunert and 21.5 per

cent by GEC. TMSA will be 41

per cent owned by Reunert, 33

per cent by GEC and 26 per

cent by Siemens, compared to

equal one-third stakes before

ing to the prospect of greater

competition in the local mar-

The companies are respond-

key systems.

the deal.

ing joint venture between the ket after international liberal-

segments of the market.

starting at \$2,799.

products targeted at various These include models with ste-

The special items included losses on the sale of the Forest Products unit, CP's share of Laidlaw's special charges partly offset by gains on asset sales. The 1992 result included heavy write-offs for CP Rail's

restructuring. The group recently sold con-trol of Canadian Pacific Forest Products, one of North America's biggest newsprint producers, to reduce its debt and to

make its earnings less volatile. Mr William Stinson, chairman, said steps were being taken to reduce losses at the 48 per cent-owned Unitel telecommunications affiliate and a restructuring charge was possi-

reo sound and video capabili-ties and pre-installed software.

new PCs for home and busi-

ness users. Compan continues

to play a key strategic role in

the emergence of these two dis-

tinct, but equally important PC markets," said Mr John Rose,

vice-president and general

manager, desktop PC division.

tions sector and technological

developments which have

forced rationalisation among

The lifting of economic sanc-

tions against South Africa will

only enhance competition fur-

ther, with companies previ-

ously prohibited from doing

business there, such as Erics-

son from Sweden, now free

Siemens Telecommunica-

tions will have annual turn-

over of about R800m (\$190m)

while TMSA's sales will be

equipment suppliers.

from restrictions.

"With the launch of these

Prices start at about \$1,650.

#### **US** insurer nets \$417m from TIG stake sale

By Richard Waters in New York

TRANSAMERICA, the San Francisco-based insurer, is close to leaving the property/ casualty business with the sale of its remaining 27 per cent stake in TIG Holdings.

Based on yesterday's share price, the sale of 17.3m TIG shares would be worth \$417m. The insurer floated TIG as a separate company on the New York Stock Exchange earlier this year as part of a move to concentrate on life insurance and financial services.

Ahead of the flotation, it was expected to retain a sub-stantial stake in TIG for some time before being able to com-plete the disposal at a favoura-ble price.

However, a turn in the property/casualty underwriting cycle has led to higher premiums in some parts of the mar-ket, bolstering profits in recent months and adding to investors' interest in insurance companies.
TIG, which was floated at

\$22% a share, was trading at \$24% yesterday after the news. "We had indicated at the time [of the flotation] that we had intended to reduce our holding of the common stock as promptly as possible,"

The company, which recently reported a 64 per cent rise in 1993 third-quarter revenues to \$1.75bn and net income The insurer has exercised an more than doubled to \$107m. also said yesterday that its option under an agreement made at the time of the flotathird-quarter sales in Japan ferent "brands" or lines of models to its Presario family. had increased by 350 per cent. tion to sell its remaining shares. A registration statement for

the sale is expected to be filed with the Securities and Exchange Commission within the next two weeks, TIG said. Transamerica's share price rose % on the amounc

to \$57%. • Edper Enterprises, a kev company controlled by the Peter and Edward Bronfman interests of Toronto, plans a convertible preferred share

issue to be distributed by way of rights, writes Robert Gibbens in Montreal. **Edper Enterprises controls** Brascan, a financial services holding company, Hees International Bankcorp, a holding company, and Carena Develop-

ment, a property group.

## Kaiser Aluminum incurs \$21m loss in third quarter

KAISER Aluminum of the US posted a net loss of \$21m or 42 cents per share in the third quarter. The company is the latest in a series of US alumin-tum manufacturers that have reported losses as a result of a worldwide oversupply of the

Kaiser said that historically low aluminium prices and weakness in prices for rolled aluminium used to make aircraft bodies and beverage cans would force a restructuring at its Trentwood plant in Spo-

kane, Washington. This would result in a fourth-quarter pre-tax charge against earnings of between \$30m and \$40m.

Kaiser's third-quarter loss compares with income of \$3.9m, or 6 cents per share, in the same period a year ago. Third-quarter sales fell to \$428.4m from \$458.5m a year

Kaiser's customer shipments of primary and fabricated aluminium fell to 148,200 metric from 164,700 tons in the third quarter of 1992. Alumina shipments to customers advanced to 576,900 in the quarter, from

469,300 last year.
For the first nine months of the year Kaiser, which is 68 per cent owned by the natural resources company Maxxam, reported a loss or \$57m, or \$1.05 per share, before extraor-

dinary charges. This compares with profits of \$24.3m, or 42 cents per share for the first nine months of 1992. Sales for the first nine months of the year were \$1.3bn, down from \$1.4bn last

 Maxxam reported a net loss of \$33.3m or \$3.42 for the third quarter, compared with income of \$7m or 7 cents in the third quarter of 1992. Sales for the quarter were \$506.5m, down

from \$531.7m a year ago.

For the first nine months Maxxam reported a loss of \$68.5m, or \$7.24 per share. excluding special charges, com-pared with income of \$3m or 32 cents a year earlier.

#### Alcan Aluminium plans further round of cuts

By Robert Gibbens

ALCAN Aluminium, facing the deepest and longest post-war recession in ingot and fabricated products prices, will become smaller and leaner. warns Mr Jacques Bougie, president and now chief execu-

Alcan's downstream businesses must "demonstrate clear potential" if they are to get further investment, Mr Bougie said in the company's internal magazine.

Mr Bougie suggested that a new round of cuts will focus on Alcan affiliates making end products. Those that do not measure up or lack a sound profitable future will be sold.

The group will concentrate on primary smelting and sheet and fabricated products and is seeking to lower its alumina costs further. It has already

introduced cuts at its Irish alumina plant, near Shannon. Alumina is derived from processing bauxite and becomes a white powder and the primary material in aluminium smelt

Alcan has 49,000 employees worldwide, down from nearly 70,000 nearly a decade ago. It operates more than 20 units making a wide variety of aluminium products, used mainly in construction and transportation and including cable. Some periphery units have already

been sold. The company has cut about US\$500m from its cost base, mainly in North America, in its struggle to become a low cost producer, and effective yesterday realigned its main business groups. It recently received a large US consultants' study of its worldwide organisation.

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SKF Group sales for the period January 1 to September 30, 1993, amounted to SFK 21,521 m (£1,875m) compared with SFK 19,990m (£1,930m) for the first nine months of 1992. However, adjusted for CTT Tools - which was included in the 1992 sales figure — and the weakening of the Swedish krona, sules declined approximately 7 per cent compared with the corresponding period in 1992. The result includes

SEK 110m (£9.6m) for future personnel reductions. An extraordinary income of SF.K 173m (£15m) from the sale of the Sandvik shares was recorded. The Group reported a loss, after financial income and expense, of SEK -709m, (£-62m) compared

> nine months of 1992. Demand in Europe has levelled out and increases

with a loss of SEK -361m (£-35m) in the  $_{
m c}$ 

were noted in certain markets. The positive trend which characterized the first half of the year in the U.S. continued.

Demand in marken outside Europe and the U.S. commuted to develop positively.

Forecast:

The forecast from the half-year report 1943, that the second half of 1993 will show a better result than the first half, remains unchanged. For a cupy of the 1993 Nate Months States

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#### INTERNATIONAL COMPANIES AND FINANCE

# Upjohn survival hopes rest on new medicines

The expiry of four drug patents has troubled the US drugs group and brought R&D into sharp focus. Paul Abrahams reports PJOHN, America's month that earnings next year

the best-performing US pharmaceuticals stocks this year. its shares have risen 11 per cent over the past 12 months. compared with an 11 per cent decline by other health and household stocks.

Upjohn's performance is based on the belief that the Kalamazoo-based group has become a takeover candidate. Like other pharmaceuticals companies, it is suffering from an increasingly hostile healthcare environment that has reduced growth of the US pharmaceuticals market to only 3 per cent during the first half of

But Upjohn is in a worse plight than most its predicament has been exacerbated by a series of patent expiries in the US, its most important market

Three of the group's leading drugs have lost their American patents over the past 12 months. Those protecting Ansaid, an anti-arthritic, expired in February. Earlier this month, Xanax, an antianxiety drug and Halcion, a sleeping pill, lost their patent protection. Next May, patents for a fourth drug, a diabetes treatment called Micronase,

Mr Ley Smith, chief operating officer, admitted last

12th largest drugs would be lower than in 1983. A group, has been one of combination of the patent expiries, new legislation affecting the tax charge for its Puerto Rico manufacturing facilities, and a faster-than-expected increase in the power of bulk

purchasers of health will affect the group's bottom line. The expiries are highly damaging - Xanax is the group's most-important drug and accounted for 30 per cent of its

American healthcare sales in the first nine months this year. Brokers Wertheim Schroder estimate the medicine generated 35 per cent of Upjohn's operating income last year. Altogether, generic competi-tion for the four drugs could affect between a quarter and a third of Upjohn's 1992 earnings per share by 1994, estimate the

ust when the group needed firm leadership, its misfortunes were compounded when chairman Theodore Cooper died of cancer in April. Since he started leading Upjohn in 1987, he had helped increase sales by nearly 50 per

Since Mr Cooper's death the composition of the board has been unsettled. In August vicechairman Mr Mark Novitch announced his decision to step down. The following month, Mr William Parfet, another

the Upjohn family, stepped down as an executive director. His departure increased the possibility the family might be willing to sell its substantial

Mr Smith, also acting chair-man, insists the company will remain independent and has a strategy to deal with the patent expiries.

When you register a patent you know when it's going to expire. We've had plenty of time to plan for this," he says. However, what Mr Smith does not have immediately to hand are new products capable of compensating for the lost sales, which is partly a research and development fail-

We didn't make enough of the products we had and we missed some good opportunities to license in some subsequently successful medicines, admits Mr Smith. The top R&D management

has been changed and the new team is racing to bring products through the development pipeline. Most promising is edox, a treatment for stroke and head injuries. The medicine is in a class of steroids called Lazaroids, discovered by Upjohn and named after the Biblical character Lazarus who was raised from the dead. Freedox should be registered

with the US Food and Drug

indication before the end of the year, says Mr Smith, and could be launched by the middle of next year. Some analysts believe it could generate \$500m annual sales.

Other compounds in development include fluvoxamine, a

Share price and sector rebased

treatment for obsessive compulsive disorder, which is being co-marketed with Solvay of Belgium. Just licensed is a drug for cancer from Japan that could become the largest or second-largest drug on the cancer market. The group is also working on

a blood substitute and treatments for HIV. Nevertheless, these new

drugs will take time to build up sales. In the meantime, Mr

Upjohn's off-patent products. "We expect to lose between 40 per cent and 60 per cent of these drug's sales. The question is how fast they erode," he

The company has an agreement with Geneva Pharmaceuticals, a subsidiary of Ciba, which will market generic versions of Xanax, Halcion. Micronase and Ansaid, Upjohn will manufacture the product for Geneva, which avoids the group's production facilities

Like some other pharmaceuticals groups, Upjohn is also trying to expand its over-thecounter (OTC) non-prescription drug business. This will allow it to extend the product life of its medicines, such as the hairloss treatment Rogaine, by selling them direct to patients without a prescription. The group's OTC business has increased 300 per cent since 1986, but with sales of only \$200m a year the operations do not have critical mass, admits Mr Smith.

"The problem is whether to form an alliance and, if you do, how to keep control, or whether to make an acquisition. We have no presence in Europe, and we need to reinforce the US operations, particularly in the dermatological

To minimise the fall in earn-

vice-chairman and member of Administration for its first Smith is trying to defend ings next year Mr Smith is slashing costs. The patent expiries forced Upjohn to cut costs earlier than most other US pharmaceuticals groups, and last week it announced its third restructuring package at

> a cost of \$255m. By the end of 1994 the group will employ 17,500 people, down from 21,100 at the beginning of 1989.

> pjohn is also cutting 14 production pharma ceuticals, chemicals and agricultural products manufacturing sites, although Mr Smith refuses to give details. The entire cost-cutting programme should generate annual savings of \$150m by

> 1995, he says. Mr Smith insists he will not cut R&D spending, which is running at 18 per cent of turnover - a high figure by indus-try standards. R&D is the lifeblood of the company, he says.

"We could match 1993 earn ines next year by cutting R&D spending, but we just have too many good ideas that are getting too close to fruition," he explains.

Upjohn's management is development pipeline, and in particular the Lazaroids. The question is whether they will be as effective at resuscitating Upjohn as stroke vic-

month since 13 October. It is expected that the company will be able to report in January 1994 that this rate has been achieved throughout the quarter, which commenced in October 1993, with gold production matching that of the previous two quarters.

company.

Surface accumulations of ore, resulting from previous underground production rates in excess of the milling capacity, will be sufficient to continue supplementing

production from elsewhere underground well beyond the end of the December 1993 quarter. The impact on the financial performance of the company will

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**ANNOUNCEMENT** 

This follows an announcement, dated 20 October, concerning

the interruption of underground operations in the area served

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Rectification of the damage, caused by the fall of pipework in

the shaft on 13 October, is proceeding in parallel with

assessment thereof. It is therefore not possible to predict

Stoping and development teams from the affected area have

been deployed elsewhere within the division. The milling rate

has been maintained at the planned level of 180 000 tons per

when this process will be completed.

thus be minimised.

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**NEWS IN BRIEF** 

#### US defence cuts mean 1,150 jobs go at Raytheon

RAYTHEON, the US electronics group, is to cut 1.150 iobs in Massachusetts, as part of a plan to reduce costs to cope with shrinking US military spending, reports AP-DJ.

The group said the job losses would follow a voluntary retirement programme that has already trimmed the payroll by 800 jobs, 600 of them in

The combined cuts will bring the company's Massachusetts work force down to 21,050, compared with a peak of 31,100

contractors have been forced to

ment slashed the defence bud-get in the post-Cold War era. Among the sites suffering cuts will be Raytheon's Andover plant, which makes the Patriot missile that came to prominence in the Gulf War. It will lose nearly 400

Despite the falling defence budget, Raytheon has remained profitable, not only by cutting costs, but also by focusing on other businesses such as energy and environmental services.

#### Bahamian hotel sold to German group

THE Casino Management Group of Berlin has bought an 81 per cent stake in one of the largest hotels in the Bahamas retrench as the federal govern- - James Canute in Kingston.

Carnival Corporation will maintain a minority interest in the 867-room hotel and casino. which will be refurbished by the German company to become an up-market destination for European

Carnival, which operates Carnival Cruise Lines, began searching for a buyer for the hotel last year, after it recorded a \$33m loss in 1991. The company will use \$25m of the sale price to liquidate debts on the three year-old hotel.

#### Petro-Canada continues turnround

PETRO-Canada, now partially privatised, continued its turnround in the third quarter helped by strong gas sales and

Net profit was C\$55m (US\$41.6m), or 22 cents a share, against a loss of \$56m, or 26 cents, including special items. Revenues were \$1.17bn, against

Nine months' profit was \$126m, or 51 cents, compared with a loss of \$18m. or 8 cents a share. Revenues were \$3.44bn,

#### Blockbuster plans 12.6m share sale

BLOCKBUSTER Entertainment of the US plans an underwritten sale of 12.6m shares, Reuter reports.

Blockbuster said it intended to use the proceeds to reduce

It added that the shares 5.2 per cent of its outstanding

#### **Placer Dome sharply** lower in third quarter

By Robert Gibbens in Montreal

LOWER gold output and lower average prices for gold and copper depressed profits of Placer Dome, the Canadian international mining group, in the third quarter and first nine months of 1993.

Third-quarter profit was US\$13m, or 6 cents a share. down sharply from \$33m, or 14 cents, a year earlier, on revenues of \$229m, against \$264m, including investment income of \$10m, against \$20m.

For the first nine months of the year, profit was \$45m, or 19 cents a share, against \$68m, or against \$834m. Both periods include special items.

Gold output was 450,000 oz in the third quarter, down from 508,000 oz and in the nine months 1.354,000 oz. a decline 8 per cent from 1,473,000 oz a year earlier.

Cash production cost in the nine months was \$189 per oz, compared with \$192 in the same period last year, while the average realised price of gold in the nine months was \$376 oz, slightly above the average market

Gold output declined due to lower grades and a reduced stake in the big Porgera mine in New Guinea and the sale of of Placer's 13 producing mines reduced their cash costs

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## Hectic start to trading in | Wharf plugs in to a guaranteed success **Singapore Telecom shares**

SINGAPORE Telecom (ST), the island republic's telecommunications and posts utility, made its debut on the Singapore stock market yesterday, quickly dwarfing other companies and accounting for about half the total valuation of the

The Singapore government has floated about 11 per cent of ST, setting a price of S\$1.90 or S\$2 on its shares. At one stage yesterday ST shares rose to a high of S\$5, giving the group a market valuation of more than \$\$70bn (US\$44bn), and a p/e ratio in the mid 60s.

The combined capitalisation of companies on the Singapore bothering to look at fundamen-tals any more," said one local "There's more than : bit of craziness in the market money chasing too few quality

At the close of trading, ST's shares were S\$4.14, still well above market expectations. The Singapore government had issued shares in three

tranches. Group A and B shares - about 50 per cent of the shares on offer and priced at S\$1.90 and S\$2 respectively -were reserved for Singaporeans

Group C shares were available to both Singaporean and foreign buyers on a tender basis. The strike price for

The feeling in Singapore is that local, rather than overseas, investors are responsible for the aggressive ST perfor-

"We are still waiting for a correction," said a foreign fund manager. "No-one doubts ST is a good company, but at present price levels it looks very, very

Market analysts said the absence of foreign buyers meant the first day's trading in ST was not as exciting as expected. The Singapore stock

exchange had doubled its trading hours in anticipation of hectic trading. However, late yesterday it announced trading would revert to the normal six

## Mitsubishi Materials pre-tax profit slides 66% in first half

MITSUBISHI Materials, the Japanese copper, cement and industrial materials supplier. yesterday blamed the appreciation of the yen and weak demand from manufacturers for a 66.5 per cent fall, to Y2.02bn (\$18.6m), in first-half

Sales for the period from April until September fell 9.1 per cent to Y342.8bn. The company said demand has been particularly sluggish from the construction, car, and electronics industries.

It said the recent fall in Japanese interest rates should stimulate the economy, but the

was likely to hinder growth. For the full year, pre-tax profit is forecast at Y4bn, compared with Y9.8bn last year, on sales of Y700bn, down from

• Sumitomo Metal Mining, a copper and gold producer, reported an 89.1 per cent plunge to Y692m in pre-tax profit, on a 15.8 per cent slide

in sales to Y192.3bn. The company had an operating loss of Y4.9bn, compared with a profit of Y2bn last year. It said sales of securities holdings enabled it to report a pretax profit.

Many Japanese companies are using sales of securities to bolster profits this year, raising questions about the future of some long-term cross-share holdings.

Company officials indicated that an increase in capital spending in the past two years had pushed up depreciation charges this year.

This added to the difficulties caused by the yen's strength and the continuing decline in demand from industrial

For the full year, Sumitomo has forecast a pre-tax profit of Y1.5bn, a sharp fall from last year's Y8.5bn, on sales of Y370bn, down from Y444bn. Capital spending this year is expected to be Y12.2bn. compared with Y25.8bn last

## Challenge Bank back in black

CHALLENGE Bank, the Perth-based regional bank which acquired the retail banking assets and liabilities for NatWest Australia in South Australia and Western Australia in June, yesterday reported a A\$21.4m (US\$14.3m) after-tax profit in the year to end-

The figure compares with a loss of A\$43.2m in the previous

year. Challenge said nonperforming loans fell from A\$68m to A\$53m during the year. Lending increased to A\$1.45bn, including A\$1.04bn for owner-occupier and investment housing.

Total assets rose by 25 per cent to A\$4.2bn. The banking group said it believed there were "consistent signs that Australia is emerg-ing from recession". It

STRONG BONDS

In September, the company announced a A\$67.5m convertible note issue, by way of rights to existing shareholders. and a non-underwritten placement of up to A\$15m.

Yesterday, it said that the full placement was likely to be made, and that the capital raised should increase the hank's risk-weighted capital to about 12 per ratio said Western Australia looked

Hong Kong's first cable TV franchise has been worth the wait, writes Simon Davies

ATIENCE is a virtue rarely appreciated by Hong Kong's investment community. However, for Wharf (Holdings), which has just accomplished its six-year struggle to deliver cable television to the colony, the rewards of perseverance could be sub-

A Wharf-led consortium was first awarded the cable TV franchise in 1989. It collapsed a year later, amid accusations that the government had breached an exclusivity agree-ment by allowing Hutchison Whampoa, flagship of the diversified Cheung Kong Group, to launch satellite broadcaster Star TV in Hong

Further delays were caused by China's insistence on pproving all franchises straddling 1997. But eight years after the government first examined the feasibility of cable television in Hong Kong. the system has finally gone ahead and the outlook is far more positive for Wharf than when it signed up in 1989. Hong Kong is arguably one

of the most attractive sites for

cable television in the world. Securities, the cost-per-house-hold of installing a cable sys-tem there will be US\$50, compared with around US\$300 in the US. This is because of the vertical nature of Hong Kong's

urban core. The colony has per-capita GDP higher than the UK, and 99 per cent of households own a television. Despite this, the Chinese population – accounting for a vast majority of the colony's 5.9m inhabitants - is served by only two Cantoneselanguage television channels. Experience elsewhere in the western world suggests this

mine for a cable television company introducing 11 channels to a wealthy population starved of choice. Mr Stephen Ng, managing director of Wharf, predicts that by the year 2000, Wharf Cable will have turnover of HK\$4bn

represents a potential gold

Investment analysts are more cautious, but the consensus is that the business should provide an average annual

(US\$517.5m) and an operating profit of HK\$1.6bn.

return on the HK\$5bn investment of between 20 and 25 per cent before interest and depreciation, during the 12 years of its franchise Mr Ng said the market was

better prepared for the service than in 1989, while recent techenabled Wharf to improve the system, while maintaining the initial costs budgeted in 1989. It is also guaranteed exclusivity until June 1996, providing sufficient time to pick up critical mass to prevent anything other than niche compe tition; and it has unrestricted

access to government-owned

housing estates, accounting for

960.000 households.

ardine Fleming Securities estimates the system will have close to 600,000 subscribers by the end of 1996, and will break even during that year. However, this will depend on the quality of programming, an area in which Wharf has no expertise. If the quality is not there, even a HK\$198-per-month subscription

be offered on the new system is already a sensitive issue. Wharf is offering an initial package of eight, but it was also to carry three of Star TV's existing channels, and a forther four "premium" channels

to be added by the satellite broadcaster. The two groups failed to resolve an argument over the details of this preliminary agreement before Sunday's launch. An accord is extremely important, since it prevents significant competition between the two groups.

Whatever the impact on television viewers, however, the network still offers vast potential for Wharf. The company is keen to emphasise the investment as a television project, but there has always been a hidden agenda: the group's ambitions to set up a telecommunications network.

Wharf is bidding for a licence to compete with Hong-kong Telecommunications (HKT) when its monopoly on domestic telephony runs out in 1995. In 2006. HKT's international monopoly also disappears, and one of the world's

most lucrative telephone fran chises will be up for grabs. Wharf suggests the existence of its cable TV network would shave around HK\$1bn off the costs of a telephone network; it would also provide entry into most Hong Kong homes, creating potential for home banking and other interactive services. Wharf is considered certain to receive a licence.

r Edmund Brandt, r Edmund Brandt, investment analyst at Jardine Fleming, said: "Wharf Cable as a standalone project is a viable investment and it should contribute up to 15 per cent of Wharf's total cash flow by the year 2000. But the potential synergies with a telecommunications network make it that

much more exciting."
Despite writing off HK\$107m against its 1989 investment in cable television, Wharf's ambitions have already proven lucrative. It purchased the consortium's headquarters and will realise a substantial profit from it. Second time around however, the returns could be far more impressive.

## Foster's sells meat interest to US group

By Nikki Tait

THE STREAM of non-core asset disposals by Foster's Brewing Group, the Australian brewing company which owns Courage in the UK, continued yesterday when the company announced the sale of a 45 per cent interest in Australia Meat Holdings, a meat processing business, for about A\$100m (US\$66.6m).

The stake is being bought by ConAgra, the large US food group, and Australian interests associated with the D.R. Johnson group.

ConAgra already owns a 50 per cent stake in Australia Meat Holdings, which it acquired when Foster's sold a package of agri-business assets also including brewing materials and wool - for around A\$300m

That sale, two years ago, left Fosters with a 45 per cent interest in Australia Meat, and D. R. Johnson, a New South Wales abattoir company, hold-

Foster's, which now has a stated policy of concentrating on its main brewing business, said it expected to book a profit of around A\$47m on the sale of the remaining stake in

The brewing company also said yesterday AMH had bought the group's Portland abattoir, which AMH had been operating since 1989 and leasing since 1991, in a separate

The latest deal, which is subject to various regulatory procedures including a green light from the Foreign Investment Review Board, means Foster's has now garnered about A\$536m from non-core asset disposals since its June year-

This follows asset sales of around A\$650m in the previous financial year.

Funds raised from this process are being used to pay

#### Ankor share issue to raise HK\$215.8m

fee will seem excessive.

The number of channels to

ANKOR Group, the Hong Kong vehicle distribution and service company and exclusive local distributor for Saab cars. said it would raise HK\$215.8m (US\$27.9m) in an issue of new shares, AP-DJ reports from

Hong Kong. A total of 195.5m shares at HK\$1.38 each are being offered, placing 25 per cent of the company in the hands of the public. The issue values the company at HK\$1.08bn, with an adjusted net tangible

value of 45 cents a share. Proceeds will be used to finance the purchase of a vehicle service and storage

 Aokam Perdana, Malaysian timber group, reported a 76 per cent jump in pre-tax profit to M\$54.4m (US\$21.8m) for the year to June 30. Aokam's timber processing facilities lifted turnover, AP-DJ reports from Kuala Lumpur.

Revenues rose 88per cent to M\$136m from M\$72.4m, and net earnings 86 per cent to

## Samsung ambitions ieopardised by state

DECISIONS taken last week by the South Korean government are likely to jeopardise plans by Samsung, South Korea's second-largest business group, to enter the passenger car industry.

Samsung's ambitions to become a car manufacturer aroused controversy after it appeared to be preparing a hostile takeover bid for Kia Motors, the country's second-biggest

company. Samsung has long sought to add vehicle production to its operations, which include electronics, shipbuilding and construction.

It recently increased its shareholding in Kia to 9.6 per cent, making it Kia's secondbiggest shareholder after Ford Motor of the US.

However, Samsung agreed to reduce its shareholding under pressure from Kia managewhich wants to curb the expan sion of congiomerates such as

The government last week introduced shareholding rules making it impossible for Samsung to attempt a takeover bid. It ordered that institutional investors associated with congiomerates must reduce their voting stake in other companies from the current to per cent ceiling to 5 per cent by the

end of June. Samsung's stake in Kia was mainly held through Samsung Life Insurance.

The government action represented a reversal of its previ ous plans to lift all shareholding restrictions next year, a measure seen as paving the way for mergers and acquisitions in Korea.

Samsung's interest in taking over Kia was belived to be in its car-production facilities. A takeover would have averted the need for heavy capital spending on factories of its own, estimated to have costed up to \$2bn.

#### FT GUIDE TO WORLD CURRENCIES

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in a thriving bond market continue to bring good results for fund managers, institutional investors and trading and sales departments throughout Europe. Subscribing to ISMA's data will reinforce your position and give you the competitive edge you need to stay ahead. RETURN THIS COUPON NOW FOR AN INFORMATION PACK AND FREE DATA SAMPLE Please send me − a sample of printed data ☐ a sample of electronic data ☐ INTERNATIONAL SECURITIES MARKET ASSOCIATION LTD Seven Limeharbour Docklands London E14 9NQ Tel: (44-71) 538 5656

Temple Court Mortgages (No. 1) PLC

£175,000,000

Mortgage Backed Floating Rate Notes 2029 The rate of interest for the period 29th October, 1993 to 31st January, 1994, has been fixed at 6 per cent, per annum, Coupon No. 16 will therefore be phyable on 31st January, 1994 at £154.52 per coupon.

> S.G. Warburg & Co. Ltd. Agent Bank

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by stay

Simon Day

York and Tracy Configan THE US bond market eased at both ends of the maturity spectrum yesterday morning after dealers and investors sold Treasuries following a stronger-than-expected October pur-

By Patrick Harverson in New

chasing managers' report. By midday, the benchmark 30-year government bond was down 1 at 103%, yielding 5.987 per cent. At the short end of the market, the two-year note was down % at 99%, to yield 4.056 per cent.

#### GOVERNMENT BONDS

After a subdued opening, prices turned decisively lower when the National Association of Purchasing Management reported that its index of manufacturing activity rose from 49.7 in September to 53.8 in October. Analysts had expected the NAPM index to rise to 50.9 per cent.

Investors and dealers reacted. badly because they fear the economy may be finally picking up after languishing for most of this year. They were particularly concerned about strength in manufacturing pro-

ISSUANCE in the international

bond market was minimal yes-

terday as many financial cen-

tres in continental Europe

were closed for All Saints' Day.

However, some interesting

Eurobond offerings are expec-

ted this week. The Spanish

region of Andalucia is expected

to raise FFr1.3bn through an offering of 10-year Eurobonds.

Paribas, Banco Central His-

pano and Commerzbank are

The bonds are likely to be

priced to yield 20 to 25 basis

points over underlying French

government bonds. Andalucia

last tapped the Eurobond mar-ket in February when it raised

arranging the deal.

INTERNATIONAL

By Antonia Sharpe

**BONDS** 

PT FOXED INTEREST INDICES 110s 1 Oct. 29 Oct 28 Oct 27 Oct 26 ago High -QILT EDGED ACTIVITY Oct 27 Oct 25 99.9 114.9

The only bright spot in the figures, however, was the lack of growth in the NAPM's index of prices. Analysts said that manufacturing output was growing because of productiv-ity improvements, which bode well for future inflation.

The market was also buffeted by speculation about the contents of the next quarterly refunding round, which will be announced tomorrow. Although the Treasury has said that 30-year bonds will not be part of the refunding, dealers were speculating that the government would sell bonds later this month, along with new three-year and 10-year issues that would be significantly larger than expected.

MOST European markets were closed for a holiday, but those that were open took their lead from the IJS.

Depfa, the German mortgage

bank, is expected to launch a

French franc Eurobond issue

next week. The 10-year offering, to be jointly led by BNP

and SBC, is expected to raise

Among yesterday's issues,

between FFr2bn and FFr3bn.

China Travel, a mainland Chi-

nese freight and holiday com-

pany which is listed in Hong

Kong, launched a \$125m offer

ing of five-year convertible

The indicated coupon is

between 4.25 per cent and 4.75 per cent and the indicated con-

version premium is between 19

per cent and 23 per cent. The deal is expected to be priced

largest private-sector bank,

raised \$50m through an offer-

ing of three-year Eurobonds.

The bonds were priced to yield

Banco Bradesco, Brazil's

later this week.

bonds, via Merrill Lynch.

of five-year Eurobonds.

was open yesterday, most other German states were closed for All Saints' Day. "The market has run into a bit of profit-taking of late, but overall it is extremely well supported," said Mr Nigel Richard son, an economist at Vamaichi International. "The currency was weak today, which may have caused a bit of a sell off."

■ GERMAN bond prices fell

around % point in low volume.

which Frankfurt is located

■ THE UK gilts market fell about % point as it continued to take its one from continental Europe. Dealers were dis-heartened by chancellor of the exchequer Mr Kenneth Clarke's comments, in a weekend interview, that he sees little immediate pressure to

reduce interest rates further.

He said he agreed with Bank of

US DOLLARS

Kingdom of Denmark(a) Banco Bradescoff Chine Traval§#(c)

Salomon Brothers.

per cent US Treasury due 1996.

When the bonds were freed to

trade, they were quoted at par

bid, according to lead manager

STANDARD & Poor's, the

US rating agency, has raised its credit ratings on GPA

Group, the troubled Irish air-

craft leasing company which

has been rescued by GE Electric of the US. About \$2bn

worth of debt is affected.

		Coupen	Red Date	Price	Change	Yield	Woek ago	inodd ogs
AUSTRALL	٩	9.500	08/03	122.1153	+0.558	6.42	6.57	6.6
BETGINM	§	8.00¢	03/03	-	•		7.09	7.3
CANADA .		7.500	12/03	104,7500	-0,410	6.84	6.79	6.9
DENMARK		8.000	05/03	110,9250	-0.375	5.43	6.33	6.6
FRANCE	BTAN §	5.750 8.750	11/98 10/03	:	:	<del></del> :	5.39 5.89	5.5 5.0
GERMANY		6.000	09/03	100.8850	-0.150	5.88	5.87	6.0
ITALY §		10.000	08/03		<del></del>	<del></del> -	8.98	9.2
JAPAN	No 119 No 157	4.800 4.500	06/99 06/03	109.0978 108.5911	+0.312	2.92 3.58	3.07	3.2 3.8
NETHERL	NDS	7.000	02/03	108,0400	-0.200	5.85	5.82	5.9
Spain §		10.900	08/03	$\overline{}$	-	— <u> </u>	8.41	9.0
uk Gilts		7.250 8.000 9.000	03/96 06/03 10/08	103-28 107-22 118-01	-09/32 -12/32 -13/32	6.23 6.89 7.23	6.05 6.76 7.12	6.3 6.8 7.2
US TREAS	URY -	6.750 6.250	08/03 08/23	101-27 103-14	-20/32 -13/32	5.50 6.00	5.47 6.04	5.3 5.9
ECU (Franc	th Govij§	8.000	04/03	— <u> </u>		<del></del> -	8.37	6.7

England governor Mr Eddie George's view that UK interest rates should not fall below their current 6 per cent level, if there is a risk of increasing

underlying inflation. Traders had been discounting further rate cuts around the time of this month's budget, in order to compensate for any tax increases. "I wouldn't say the market has written off an interest rate cut, but there is an underlying mood of caution," said Mr Richardson of

NEW INTERNATIONAL BOND ISSUES

100.10R Feb.1998 0.30R

removed from S&P's credit-

watch, where they were placed

in November 1992. By contrast,

GPA's ratings remain on

Moody's watch list where they

S&P said that the upgrade

was based on GPA's improved

liquidity and deferral of cash

commitments arising from the

completion of an extensive

financial restructuring.

were placed in May this year.

■ JAPANESE government bond prices rose more than 1/4 point, with heavy volume in the futures market due to continued speculation on interest rate cuts. With 31/2 per cent 10year yields in sight, the market's pursuit of this target is being encouraged by continued

economic weakness. Futures volume may have been partly boosted by the subsidiaries of two trust banks, Sumitomo and Mitsubishi,

ties and lowered if it failed.

based investors, the appreciation of the dollar against most opening of the new securities currencies, with the exception of the Australian and Canadian dollars, held down returns. The Australian bond market posted the strongest Offerings from Andalucia, Depfa in the pipeline returns for an unhedged US dollar based investor, with 5.39 per cent in October.

The Australian market performed even better for sterling-based investors, according to Kemper Investment Management's govern-ment bond market index, which shows a 6.05 per cent return in sterling for October. SIXTY per cent of UK company treasurers believe sterling's suspension from the European exchange rate mech-Final terms and non-calistia unless stated. The yield spread lover relevant government bond) at leanch is supplied by the lead manager. §Conventible. ‡Floating rate nois, #Semi-ennual coupon. R: fixed re-offer price; fees are shown at the re-offer level, a) Long first coupon, b) initial annual coupon of 3.35% until 18/2/1997, then pays 6 month Libor minus 0.125%. Short first coupon, c) To be priced teter this week. anism is favourable for their companies, according to a survey of 70 treasurers by Record Treasury Management, which ing" which indicated that its advises on currency risk.

European

tables

By Tracy Corrigan

key interest rates.

of 8.43 per cent, following a cut of 75 basis points in the

Rank of Spain's repo rate over

German bunds offered gains

of a relatively modest 1.58 per cent, while the US Treasury

market came bottom of the

league table with returns of

0.32 per cent. For the year to

date. Spain and Italy are each

offering around 28 per cent. For unhedged US dollar-

the course of the month.

ratings could be raised if the Only 10 per cent consider company was able to achieve terling's exit from the ERM the aircraft sales needed to unfavourable, compared with meet remaining debt maturi-25 per cent in last year's survey. However, 69 per cent would support rejoining in a S&P raised GPA's unsecured different structure, either senior debt ratings to triple C using "wide" bands (45 per from triple C minus, while the cent) or as a move to a single ratings on equipment trust cer-tificates are raised to B minus currency (25 per cent).

An overwhelming 96 per cent oppose controls to curb

## Treasuries ease on purchasing managers' data | Spain heads | Péchiney loan oversubscribed performance

By Antonia Sharpe

A LARGE syndicated loan for Péchiney, the state-controlled French aluminium group GOVERNMENT bond markets which is earmarked for privaticontinued to post positive sation, has been oversubreturns in October, as Euroscribed, reflecting the dearth of pean bond markets benefited quality corporate borrowers from the Brodeshank's cut in looking to raise funds in this market.

According to J.P. Morgan's The lack of borrower demand government bond index, Spain for syndicated loans this year has resulted in a considerable was the strongest performer in local currency terms, posting erosion in margins as banks returns of 3.3 per cent over October. Spanish 10-year bond compete more aggressively for new loans business yields reached a historic low

Péchiney was looking to raise \$800m, but bankers involved in the deal said that more than \$1bn had been raised during the course of syndication. The borrower is expected to take a decision in the next few days on whether to increase the loan.

The loan, jointly arranged by Barclays Bank, BNP, Societé Générale and CS First Boston, will be divided into two tranches. One tranche of \$400m will have a relatively long maturity of seven years, while the other \$400m tranche will have a life of five years.

Péchiney, which is unrated but is perceived by the market as a single A credit, is paying an interest margin of 55 basis points over Libor for the first five years, on both tranches. The spread over Libor will rise to 60 basis points for the final two years of the loan.

The commitment fee is 271/2 basis points for the first five years, rising to 30 basis points in the last two years. The participation fee is 17% basis points on \$40m for lead managers and 12% basis points on \$20m for managers.

### **Ball denies resignation** was linked to US probe

By Patrick Harverson

MR George Ball, who has resigned as senior executive vice-president at Wall Street brokers Smith Barney Shearson, denied that his departure was linked to the US government's investigation of a scandal at Prudential Securities, the firm he once led.

Prudential has agreed to pay at least \$371m in fines and restitution to clients who bought billions of dollars of high-risk property and energy limited partnerships in the 1980s after they had been wrongly told by Prudential brokers that they

were low-risk investments. Mr Ball was chief executive of Prudential, then known as Prudential-Bache, between 1982 and 1991. Investigators are reported to be considering civil proceedings against former Prudential executives.

Although reports said Mr Ball was ousted from his post at Smith Barney because of concern that the firm's reputation would be harmed if such a high-profile figure faced charges relating to the Prudential scandal, Smith Barney said Mr Ball had informed them of his plans to leave several months ago.

#### New warrants launched

TWO NEW warrant issues reflect increasing activity in emerging market debt derivatives, writes Tracy Corrigan. Société Générale launched

an innovative issue of 400 "down-and-out" call warrants on Vnesheconombank's US dollar-denominated syndicated loans. The warrants expire if the value of the loans falls below a pre-determined level

LIFFE EQUITY OPTIONS

of July 22 1994, which is also the expiry date. Salomon Bros issued 1,200 call warrants on a basket of emerging market debt comprising Republic of Argentina col-lateralised fixed-rate bonds due 2023, Republic of Brazil IDU bonds due 2001, Republic of Nigeria par bonds due 2020 and Republic of Venezuela collateralised fixed-rate bonds due

#### from triple C plus. Both ratings However, S&P said that the

**MARKET STATISTICS** 

RISES AND FALLS YESTERDAY

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Margins squeezed by rising scrap metal costs

## ASW shares fall 41p after profits warning

SHARES IN ASW Holdings plunged by 41p to 147p yester-day after the Wales-based steel products group issued a profits warning because of ris-ing scrap prices and reduced selling prices in the recessionhit continental European

Analysts had been predicting pre-tax profits ranging from £7.5m to £15m or more, but yesterday one said he had "pen-cilled in" a downgraded forecast of £3m for 1993. Last year, the company suffered a pre-tax loss of £10.8m.

ASW had warned at the interim stage in September that the price of scrap, its main raw material, had risen sharply in June. Yesterday it said the price had fallen in August but had since risen

The company said that as a result of this, together with weak selling prices for ASW's principal products in continental Europe, margins had declined significantly from those experienced in the second quarter, with weak selling prices for principal products in Europe adding to pressure. Provided that market condi-



tions did not change substan-tially, the group's steel activities would stay in profit during the second half, but profits would be lower than the £5.7m achieved in the steel business in the first six months, the company said.

1991

ASW's steel businesses were the star performer in the first half, rebounding from profits of just £900,000 a year earlier, and a loss of £4.4m for all 1992. In contrast. ASW's much

business suffered a £2.5m loss for the first half, but is expected to reduce its deficit in the current half Overall ASW had a first-half pre-tax profit of

Mr Alan Cox, ASW's chief executive, said in September that he was "more confident than for a long time" about the company's main steel business. But he was cautious about the outlook for steel margins.

Yesterday ASW said that, given the volatility of European margins, it was too early to make any comments about 1994 - when some analysts were expecting big rises in Mr Ian Lowe at Smith New

Court has downgraded his 1993 profits forecast from £11.7m to £Im, reflecting reduced losses in construction systems as much as the problems in the steel business. "These have some longevity about them."

His 1994 prediction is reduced from £20m to £9m. ASW said that, in the absence of unforese stances, it intended to pay an unchanged final dividend of 3p a share, making a total of op,

Flotation completes Tarmac's programme of disposals. Catherine Milton reports R UBEROID yesterman, announced a return to the stock market UBEROID yesterday per cent comes from less cyclical refurbishment work. The balance is in manufacturing bituminous waterproofing systems predominantly for the

almost five years to the day that Tarmac fought and won a over the mofing materials company with rival bidder Raine Industries.
The flotation, which is likely and Enfield

to value a now substantially smaller Ruberoid at about £70m, completes Tarmac's programme of disposals intended to strengthen the building materials and construction company's balance sheet weakened by recession.

About 65 per cent of the new issue, sponsored by Robert Fleming, is likely to be placed firmly with institutions and 35 per cent placed subject to clawback in an open offer. The company does not expect to raise a significant amount of new

Tarmac's £141.3m bid, described in 1988 as a classic white knight operation, engaged the City for weeks as Mr Thomas Kenny, Ruberold's then chairman, engaged in a pointed public debate with Mr Peter Parkin, Raine's chief

Mr Ian McPherson, who is stepping into the top job at the new Ruberoid company, said: 'I know Ruberoid will be remembered. It has only been off the market since 1988." Ruberoid currently generates about 60 per cent of its sales from contracting, of which 70 construction industry and distributing them from warehouses in Lancashire, Dundee

The company, which Tarmac roughly halved through dispos als, has been on the market for trade buyers since April but the parent said no realistic price was suggested during preliminary talks with potential purchasers. This made the prospect of

seeking a listing on today's high market, with investors now generally willing to pay more than trade buyers, all the more attractive to both Tarmac and Ruberoid's management Mr Neville Simms, chief executive of Tarmac, said: "Of course you take advantage of the fact that there is a more obvious and visible value to

the people who are running the

Mr McPherson, who is quit-ting the post of president of Tarmac America to become chief executive of the new company, said: "They are good businesses and they always have been." He said: "Personally I have always wanted to run a plc company because I have done everything else. I have lived with a huge division inside a big group which has all of the disadvantages of a plc and none of the advan-

(£922,000) for earnings of 5.13p

(3.78p) per share. An increased final dividend

of 25p (245p) is proposed, making a total for the year of 4.5p

Trinity acquires

Argus newspapers

Trinity International, the Ches-

ter-based publisher of the

Liverpool Daily Post and Echo,

is acquiring the 27 local news-

papers owned by Argus Press.

The move follows last week's

approval of the deal by the

Department of Trade and

Trinity is paying £20.7m in

cash for the south of England

pre-paid and free titles. In addi-

tion, Trinity will pay a further estimated £1.5m cash for stock,

reimbursement for the benefit

of pre-payments and to assume

trade creditors. In the year

ended March 31 1993, the assets

being acquired made a net

profit of about £600,000 on

turnover of £25m, with a net

The deal gives Trinity a pres-

ence in the south of England

for the first time and furthers

its strategic aim of expanding

tory in Jakarta, Indonesia.

The factory is owned by PT

Courtaulds Coatings Indonesia,

a joint venture between Courtaulds, with an 80 per cent

stake, and Dharmala, an Indo-

nesian group, with 20 per cent.

**Mid Kent Holdings** 

Mid Kent Holdings, the water

supply company, has acquired

the Linkclever group of compa

nies, including CRI - its radio and telemetry data collection,

The maximum possible cost

of the purchase is £4.4m. How-

ever, on current profit projec-tions, the board estimates that

the actual amount will be

transfer and control arm.

about £3.3m in cash.

buys Linkclever

book value of about £5.7m.

industry.

ous year end.

Ian McPherson: stepping into the top job at Ruberoid

tages." To fulfil this ambition he is bringing the waterproofing businesses of Ruberoid and Tarmac to the market, of which the main companies are Ruberoid, Permanite, Briggs Amasco, NEBI and ATAB. Mr McPherson claims for the Ruberoid businesses a 25 per

Ruberoid bounces back to the market

cent share of the UK roofing market and a 16 per cent share of the country's specialist roofing contracting market. The large shares might have given any trade buyer difficulties with the Office of Fair Trading. ATAB in Belgium and NEBI in the Netherlands are leading

manufacturers of waterproofing products as well as roofing and cladding contractors.

The businesses brought together for the flotation made pre-tax losses of £12.8m (losses of £5.7m) in the year to December 31 on turnover of £280.4m

The deficit was struck after provisions of £11.3m (£6.9m) with the bulk against redundancy and reorganisation as well as some to cover poor contract results. There was also a notional interest charge of 26.1m (26.8m).

There are no exceptional items forecast for 1993 and the interest charge for the current year is likely to be just below film following a refinancing which should ensure an average gearing of about 10 per cent during the year.
Mr McPherson said: "The

current order position supports our forecasts: we don't yet see any major upturn in the UK: we think the market will be strong by 1995."

He said the board's strategy would be to "major on the brand names" such as "all the Permas and Rubers" Which, he said, had become for builders as generic as Hoover. The company expects to capitalise from roofs which have been neglected during the recession.

Mr McPherson plans to hold equity in the company as do all the directors: "We are going to put our money where our mouth is," he said.

## Stanley Leisure upbeat and buying bookmakers chain

By Peggy Hollinger

SHARES IN Stanley Leisure rose 20p to 249p yesterday as the betting shops and casino group issued an upbeat trading statement and announced the £6m acquisition of the bookmakers chain Selwyn Demmy (Racing).

The company said yesterday that after the first six months, "the trading performance in both the betting shop and casino divisions are considerably ahead of the same period last year.'

Analysts revised their forecasts for the year to the end of April from £9m to £10m. Stanley is buying 49 betting

shops in the north-west of England through the acquisition of Demmy Investments.

which owns Demmy Racing. Demmy's 49 shops bring the number of outlets operated by Stanley's racing division to

The company said that it expected to make significant savings from the integration of Demmy's shops with its own. Stanley is paying £6m for Demmy Investments. This figure will be adjusted however.

subject to Demmy's net asset

position. The consideration will be satisfied by the issue of 589,520 Stanley Leisure shares at 2290. £250,000 in cash and the balance in loan notes repayable within three to five years. The vendor has agreed not to seli the Stanley shares for at least one year.

**BOARD MEETINGS** 

"If only I'd known.

Demmy Racing returned

profits of £247,000 for the year to February 27, on sales of £25.2m. However, this was before charges of £242,000 for interest on loans to the company by directors, depreciation

of goodwill, and executives remuneration Demmy Investments is expected to show a debt of £1.65m to Mr Selwyn Demmy, which will be repaid in cash on completion.

Last year Stanley Leisure returned annual profits of £8.05m, a rise of 3 per cent, in spite of an estimated £300,000 loss on the Grand National debacle at Aintree when the race was called off after two false starts.

Sales for the 53 weeks were £218.4m, against £203.3m in

Lloyds Chemists

£45.4m.

#### in Scottish buy Lloyds Chemists has acquired John Hamilton Pharmaceuti-

cals for £4.65m in cash. Hamiltons is an established pharmaceutical wholesaler, operating from a 45,000 sq ft freehold site at Clydebank, north of Glasgow. In the year to May 31 1993 it reported turnover of

### Wilton cuts losses to

£785,000 WILTON GROUP, the USMtraded toys, hardware and electrical goods concern, cut pretax losses to £785,000 in the first half of 1993. This compared with £2.51m last time, which was after a £2m provision for future losses on discontinued operations.

Losses included £463,000 attributable to Glenchewton, in which Wilton held a 70 per cent stake until August 1993, when it was reduced to 34 per cent. In accordance with FRS 3, Glenchewton's results have been reported as relating to discontinued activities.

Total turnover for the period fell from £14.67m to £8.85m, of which £481,000 (£462,000) related to continuing operations. Net interest charged was £253,000 (£819,000) and losses per share came out at 0.12p (0.37p).

#### Morgan Grenfell **Equity Income**

The net asset value per share

of Morgan Grenfell Equity and diversifying its regional Income Trust stood at 139.7p at newspaper interests. the September 30 year end. against 122.8p six months Courtaulds expands earlier and 94.15p at the previin Indonesia Courtaulds, the chemicals com-

#### **NEWS DIGEST** June 30, against a profit of Available revenue for the £193,000 last time. Turnover was down from year amounted to £1.25m

£5.45m to £4.33m. After increased tax of £640,000 (£208,000) there was an attributable loss of £1.08m (£15,000) and losses per share

of 9.4p (1.3p). A final dividend of 1.4p (1.6p) is proposed, making a 1.8p (27p) total. The comparative dividend included a 25p special payment.

#### Abtrust Emerging issue oversubscribed

Valid acceptances totalling 54.8m shares were received by Abtrust Emerging Economies Investment Trust in respect of the 50m ordinary shares offered for subscription with warrants attached.

The basis of allocation is: up to 10,000 shares in full: 10,500 to 25,000 shares, 85 per cent; 28,000 to 50,000 shares, 80 per cent; 52,000 to 100,000 shares, 75 per cent; 120,000 to 173,000 shares, 70 per cent; 250,000 shares, 50 per cent; 500,000 to 750,000 shares, 25 per cent; and 1m shares and over, 15.25 per cent

#### Malaya pays £1m for dealership

Malaya Group, the motor retailer, has paid £1m cash for the Mann Egerton dealership at Colchester, Essex. Additionally, vehicle stocks will be bought at agreed values. pany, is continuing its develop-ment in the Far East with the opening of a £7m coatings fac-

The company also announced that Mr Ronnie Lancaster, founder of the Lancaster group, and Mr John MacArthur, chairman of MacArthur & Co. and a former director of Kleinwort Benson, were to join the board as nonexecutive directors.

#### Hartwell disposes of Ford dealership

Hartwell, the motor distribution group, has sold its Ford dealership in Lincoln to Pendragon Group.

Hartwell will retain the freehold of the site and it is planned that the dealership will relocate in a year's time.

#### MIM Holdings buys UK zinc smelter

MIM Holdings, the Australian metals group, has finalised the purchase of a zinc smelter and

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Grand Centralint Morgan Gr Equityfin TR Far East Incin	nii 2.5 1.3	Dec 30 Jan 3	0.45 2.45 1,2	4.8 5	1.25 3.45 .4,6
Dividends shown pence	per share	net except	where othe	rwise st	abed. †On

#### manufacturing plant at Bloxwich produces a range of value-added zinc products.

Roskel sells plant hire arm for £1.28m Roskel, the specialist suspended ceilings contractor and partitioning and cellings distribution group, is selling the business and assets of Access Rental, its plant hire

arm, to Nationwide Access Platforms for £1.28m in cash. The proceeds will be used to reduce Roskel's debts and the group's gearing is expected fall

from 45 per cent to 20 per cent by the year end. At end-1992 Access incurred losses of £896,000 and had net liabilities of £2.5m.

#### **BM** continues disposal programme

restructuring, BM Group, the construction equipment combine, has signed an agreement for the sale to Komatsu America Corporation of its shareholding in Linder Industrial Machinery for \$13.4m (£9m).

A further payment of up to \$1.5m is dependent on the net assets of Linder at completion. BM expects to incur a deficit of about £1.5m on the disposal. Linder, a North American distribution company, was acquired by BM as part of its purchase of Blackwood Hodge in November 1990.

#### Grand Central falls £745.500 into red

Grand Central Investment Holdings, the food group with interests in Asia Pacific, fell £745,500 into the red in the six months to June 30.

That compared with a profit of £1.01m last time and was: struck on turnover up from 229.8m to £32.9m

The decline was due to the closure of the Singapore manufacturing plant and its reloca-tion to Malaysia and Indonesia coupled with the continued downturn in performance of commodity-related operations,

the directors said. Losses per share were 1.27p (1.47p earnings). There is no dividend this time (0.45p).

#### Pex losses deepen to £744,000

Pex, the reorganised hosiery manufacturer which is now concentrating on its children' brands, increased pre-tax losses from £405,000 to £744,000 for the half year to July 81. Turnover was down at 25.9m

The operating loss on continuing operations deepened to

£476,000 (£42,000), but there was a profit on the sale of fixed assets of £36,000 (£153,000). Interest charges were cut to £304,000 (£516,000). Losses per share were 3.89p (2.12p).

#### Loss at Westminster Scaffolding rises

Losses at the USM-quoted Westminster Scaffolding Group rose from £524,000 to £1.66m pre-tax for the half year to April 30. The deficit per share

rose by 1.9p to 3.2p. In consideration for the pur-chase from the Righlast Group of scaffolding worth £150,000 Westminster is issuing 1.5m new ordinary 10p shares at par. The issue represents 2.8 per cent of the ordinary equity.

#### TR Far East net assets improve

As part of its continuing TR Far East Income Trust had a net asset value of 160.9p at August 31 compared with 91.6p a year earlier. Fully diluted the value was 151.6p and 93.8p

respectively.

Net revenue for the year improved from £2.12m to £2.44m for earnings of 5.25p (4.56p) per share. A fourth interim dividend of 1.3p (1.2p) is declared making a total of 5p (4.5p). The directors have forecast a dividend for the current. Year of not less than 5.20.

#### London Secs in asset talks with Nu-Swift

London Securities, the property investment company, has begun preliminary talks on acquiring certain of Nu-Swift's

property assets. Nu-Swift, which holds a 29.2 per cent stake in London Securities, provides fire protection equipment and services and cleaning and maintenance ser-

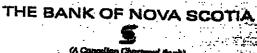
#### Allen to acquire Andrew Sykes arm

Allen is acquiring Centahire, s tool hiring subsidiary of Andrew Sykes Group, for an estimated £718,000.

Cantahire, based in Peteries County Durham, has six depots in the north east. In the year to March 81 1993, it made an operating loss of 297,777 on turn over of £1.16m.

#### Seafoods buy for Perkins Foods

Parkins Foods has accorded the Cromer Crab Company & Norfolk processor said suggister of crabs and shellfish for a confideration to be satisfied by the laste to the vendors of 180,952 new ordinary 10p shares.



\$100,000,000 Floating Rate Debentures 2000 Larua Prico 100.10 per cent.

For the three months 29th October, 1993 to January, 1994 the Debentines will bear literall of 5.85% per annum and the coupen manual \$10,000 denomination will be \$150.66.

Adout Bunk Samuel Montagu & Co. Limited

MKH will pay £2.5m - £2.1m on completion with a balance of up to £400,000 dependent on the audited net asset value of CRI at the completion date. Thereafter, a profits-related manufacturing plant at Avonmouth for 247.8m. If You Miss The Imperial Smelting Propayment of up to £1.9m is paycess smelter, which employs some 600 people, was bought VITAL COMPANY INFORMATION, CRI estimates that the addifrom Pasminco, and is designed to give MIM down-IT CAN BE VERY BAD NEWS. tional amount will not exceed £800,000. stream zinc processing capacity.

MIM directors said that the online or from hard copy, you will enjoy the there has never been so much of it about GR Holdings incurs henefits of McCarthy's comprehensive service. smelter could have particular which makes it harder than ever to find ke-And the news will be good rather than bad loss and cuts final strategic significance once outcompany information that's relevant and to the Don't be a don't know... put from the McArthur River GR Holdings, which has the Grayshott Hall health hydro, point. And, in some cases, life saving for your mine project comes on stream ..contact McCarthy in a couple of years' time.

The smelter has the capacity McCarthy Information is your vital property dealing and sheepskin manufacturing as its principal to produce 120,000 tonnes of network providing enuprehensive information activities, made a pre-tax lose of £438,000 for the year ended zinc and 55,000 tonnes of lead on the commanies and industries that interest bullion, while the associated you. Every day, we gather and store the informatten from the world's top 70 business DIVIDENDS ANNOUNCED publications. You can acress just what you need McCarthy by company, industry, country or market. Information Hard fact and industry runnour. Whether you access it on CD ROM, Services

By Philip Rawstorne

mark

BASS, the UK's leading brewer, has agreed to acquire a 34 per cent stake in Prague Breweries, the second largest brewer in the Czech Republic, The deal is Bass's first over-

seas brewing venture since it sold its interest in Lamot, the Belgian brewer, 12 years ago.

Mr Ian Prosser, Bass chairman and chief executive, yesterday described the Brewer. terday described the Prague deal as "an important first step" in the group's search for opportunities for international

It offered good prospects for further development in the Czech market and for increased exports, he said.

The Prague group, which will have net assets of 230m after the deal is completed, plans to invest £50m over the next five years in expanding and modernising its three breweries. It has a 10 per cent share of the Czech beer market which is about a quarter the size of that of the UK. Prague's sales of £36m last

#### **McInerney Properties cuts** loss to I£1.77m

McInerney Properties, the Dublin-based housebuilder and property developer which has lelsure-related construction developments in Spain and Portugal, reduced pre-tax losses to IEL.77m (£1.67m) in the first half of 1993. Losses last time were I£1.84m.

The result, on turnover of I£12.9m (I£15m), was struck after exceptional provisions of I£753,000 (I£950,000). The Four Seasons resorts in

Portugal and Spain reported a good sales performance but incurred losses. Good progress was being made in Germany. The company said it would incur a further loss in the sec-

ond half but hoped to return to 1.47p (3.31p). 1.6p (2.2p). >

Exercise of CO.S.

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Stanislav Prochazka, general manager of Prague Breweries

year included a significant contribution from exports, mainly to eastern and central Europe. Bass will introduce Prague's leading premium lager, Staro-pramen, into the UK and a

number of other international markets next year. The UK brewer will have four seats on the Prague board

and a number of senior managers will be seconded to the

**Bolton falls to** 

£142,000 after

Langho losses

the year ended April 30.

Pre-tax profits at Bolton

Group, the property investor, fell from £202,000 to £142,000 in

The result was struck after

losses relating to the Langho

Nursing Centre, which had

been disposed of, the directors

said, as it required a dispropor-

tionate amount of management

time and would not gen-

erate the target return

Since the year end the deci-

sion has also been taken to dis-

pose of certain investment

properties, which will result in

a reduction in debt of about

Turnover was £2.46m

(£1.83m). Net interest took

earnings per share came to

### Cranswick shares drop **32p on** warning

A WARNING yesterday from the directors of Cranswick that interim profits would be below their previous expectations sent the company's shares down by 32p to

Following an "extremely disppointing" performance from he pig rearing activities in the second quarter they expec-ted pre-tax profits for the half year to September 30 to be about £700,000 compared with £968,000 previously.

However, the interim divilend was expected to be held at 2.4p when the results are counced early next month. The directors blamed the second quarter setback on a "substantial and unforeseen fall in pig prices throughout
Angust and September, compounded by higher feed costs
resulting from flooding in the
US and a late harvest in the

They pointed out that pig prices had continued to fall in October and would have an impact on that month's profit-

The group's other activities. grain and feed, "were continu-ing to trade satisfactorily" with most performing ahead of

## Unions agree to staff cuts at Aer Lingus

AGREEMENT was reached yesterday between management and unions at Aer Lingus, the Irish Republic's trou-bled state-run airline, on I£21m (£19.8m) of payroll cuts being sought by the company, out of a total of 1£50m in a cost-pruning rescue plan to bring the airline back from the brink of financial disaster.

The agreement accepts 800 job losses from the airline's 5,500 workforce, and "radical" changes to work practices. The deal has still to be approved by the workforce in a secret ballot of union members, but union officials yesterday acknowledged that they would be unable to get better terms from the company.

A clearly relieved Mr Bernie Cahill, the airline's executive chairman, said: "A few months ago there was no future for the airline. Now there is. I believe the rescue plan will work, I have no doubt about that."

Mr Paul O'Sullivan, the negotiating official for Siptu, the trade union representing the bulk of the Aer Lingus workforce, described the negotiations as the toughest he had ever been through in an indus-trial relations dispute. He said it was "heartbreak-

ing" to negotiate away 800 jobs and that "the changes being asked of the workforce are enormous, but are necessary to create an airline capable of

The Boeing 767: Aer Lingus has two of these aircraft - currently idle - on lease from GPA The company said that more rapid progress was now expec-The airline was seeking cuts ted in those areas, with the of 1,280 man-years in labour core agreement now settled with staff in the main airline

> Two obstacles still lie in the path of finally wrapping up the rescue plan, assuming the secret ballot approves the

business

First, management and unions have agreed to go to arbitration over pay settlements for the coming year the airline management says no pay award can be made

deal with the unions will come Second, a I£175m equity unravelled.

injection promised by the gov-ernment in the event of I£50m The airline is currently losing about If1.2m a week and of cost savings being achieved, last month reported a pre-tax is still dependent upon deficit of I£190.7m for the year ending March 31 1993 on turnapproval by the EC Commisover of I£817m. Aer Lingus's rivals on the

With net debt of 15540m at the last financial year-end, gearing was 533 per cent. In the summer, the airline's bank creditors threatened to shut off lines of credit to the airline unless a viable rescue plan was put in place by the

#### NEWS IN BRIEF

BRITANNIA GROUP: Rights issue taken up as to 8.84m shares (77.6 per cent). Figure includes acceptances in respect of 7.39m new ordinary shares, being the renounced entitlements of certain directors and major shareholders (64.8 per cent), which were placed with institutions and two other directors. The balance will be taken up by sub-underwriters. ENTERPRISE OIL has received elections for its enhanced scrip dividend alternative in respect of 455.8m existing ordinary shares, representing 95.3 per cent of its issued ordinary share capital. The cash offer has been accepted in respect of 176m existing ordinary, representing 38.6 per cent of elec-tions. The cost of the 1993 special interim will be £2.1m

£12.6m has been saved in ACT. HARRIS (PHILIP) has acquired the Birmingham-based occupational health supplies business of Surgicon Reside Group and Surgicon for £632,000 cash, plus stock and debtors at valuation estimated at £350,000. The business makes operating profits of

about £100,000 on sales of KELT ENERGY: As a result of the subscription and open offer Kelt will issue 12.5m new ordinary shares of which CP International Securities will subscribe for 12.14m, representing 14.4 per cent of the company's enlarged share capital. Applications under the open offer were received in respect of 353,154 new ordinary shares. RUSSELL (ALEXANDER) has sold its concrete block and conmore at £1.24m (£1.13m) and against £45.4m if all sharehold crete block pavior business, ers had received the full 9.5p Russell Concrete Products, to cash dividend. Also, some Marshalls Mono, a subsidiary

of Marshalls, for £2.73m. RCP incurred a pre-tax loss of £452,000 for the year to end-December 1992. The sale was part of Russell's policy of disposing of under-performing assets and reducing borrowings.

competing in a deregulated

costs, but received acceptances

for only 800 voluntary redun-dancies. Management then

argued that only 300 of these could be released, unless there

were major changes in work

practices. These have now been conceded by the unions. Still to be negotiated are

1214m cuts in labour costs from

the airline's aircraft mainte-

nance subsidiary, Team, and

I£15m in non-labour overheads.

SOUTHERN WATER has acquired the ERG Environmental Resource Group for £2.25m. The consideration, in part via the issue of 311,858 new ordinary shares, is subject to adjustment. In 1992 ERG achieved a turnover of £7m, of which a third was derived from outside the UK.

VINTEN GROUP has completed the sale of the UK electro-optics business of its subsidiary, Vinten Electro-Optics Ltd, to Coherent Optics (Europe), an offshoot of Coherent, the US laser and optics company. Consideration is an estimated £996,000, payable in

## **INDEX CONSTITUENTS**

intensely competitive Dublin-

London route are waging a lob-

bying campaign in Brussels to

block approval, arguing that

the government support would

create unfair competition for

their operations. Without the

I£175m support, yesterday's

LISTS OF the constituent stocks of the FT-SE Actuaries Share Indices series and other FT indices are available at no charge from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

> Information regarding the FT-Actuaries World Indices, including details of constituents, is available from:

Mark Zurack or Barbara Mueller Goldman, Sachs & Co. 85 Wall Street, New York. New York 10004. U.S.A. (212-902-6777).

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(Türkiye Cumhuriyeti)

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Bayerische Hypotheken-Aktiengeselischaft und Wechsel-Bank Aktiengesellschaft

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## Xerox breakthrough worries silver market

By Kenneth Gooding,

Mining Correspondent SILVER'S BIGGEST market could be threatened in the long term if Xerox Corporation's claim to have developed a silver-free film process is justified, analysts suggested yester-

Worries about the Xerox breakthrough forced silver's price in London down by 15 cents a troy ounce, or 3.4 per cent, to 423.5 cents by the close yesterday. The sharp movement unnerved the rest of the precious metals market and gold fell to \$362.75. down by

\$6.05 an ounce. Xerox announced its new product, VerdeFilm, at the eekend. It is aimed solely at the graphic arts market and substitutes for the silver-halide films used to make mastering plates for high-quality photography used in many magazines and newspapers and commercial printing. Xerox said there seemed to be no way yet for

the process to be applied to consumer photography. However, the US group

claimed that in graphic arts applications its patented techology "surpasses traditional silver-halide in quality and costs and addresses a pressing environmental concern" as VerdeFilm did not require any toxic processing chemicals.

Graphic arts used about 1,300 tonnes of silver last year, or one-fifth of the 5,800 tonnes used for photography and about 7 per cent of total silver consumption - 18,300 tonnes in 1992 - according to the Silver Institute, a Washington-based promotional organisation.

'This development could give silver a bad lmage," said Mr Andy Smith, analyst at Union Bank of Switzerland. He suggested Xerox's announcement could have a depressing impact on sentiment in the silver market in the same way as two other relatively recent revelations - news that Ford had developed a non-platinum car catalyst and that some central banks had been selling from their gold hoards - dented other precious metals markets.

These are things that the mar-

And now some of the conven-tional wisdom in the silver market is being challenged.

Mr Tony Warwick-Ching of the Commodity Research Unit consultancy group, like Mr Smith, said he spoke without knowing the full details of Xerox's technology or the costs of using it. But if the quality problems usually associated with non-silver film had been overcome, "this could threaten

silver in the long term". Mr Smith said the fall in the silver price towards \$4 an ounce would be a good test of demand in the Middle and Far Bast where "they take no notice of technological developments". Demand there would probably prevent the price fall-

Xerox said it would start commercial deliveries of its new product in the second quarter of 1994. Its process uses selenium, produced mainly as a by-product of electrolytic copper refining. About 30 per cent of the 2,000 tonnes of selenium produced each year goes to the electronic and photo-

## Oil wavers in run-up to output and demand news

By Robert Corzine

OIL MARKETS are likely to remain unsettled in the run-up to the release later this week of demand forecasts for consuming countries and publication of official figures on October production levels by members of the Organisation of Petroleum Exporting Countries, analysts said vesterday.

Prices for Brent Blend for December rose to \$16.10 in late London trading yesterday after falling below the psychologically important \$16 a barrel

The weak prices prompted Mr Gholamreza Aqazadeh, the Iranian oil minister, to suggest at the weekend that Opec, which meets in Vienna later this month, might have to reexamine its production celling of 24.52m barrels a day in order

to stabilise prices. But Mr Peter Bogin, of Cambridge Energy Research Associates in Paris, said yesterday that "It would be very difficult for Opec to go below" the current ceiling, which was set in September and which is due to run until the end of March

"Everybody is surprised at how weak prices are, but we

next year.

just have to assume that there s too much supply for present demand," he said. International Energy Agency

figures on likely oil demand in the main consuming countries are due out at the end of the

"If the IEA cuts its demand forecast again then it will reinforce the bearish market," said Mr Bogin, Other factors behind the

recent price weakness include reduced demand from Asia, especially Japan. Asian buyers are normally the first to take prices, but they are "not leading the way" because of the economic slowdown in important economies, said Mr Vahan Zanoyan, a director of the Washington DC-based Petroleum Finance Company.

He also pointed to an overhang of crude oil stocks. sharply increased production from the North Sea, the possibility of Iraq's reaching an agreement with the United Nations which would allow it to resume oil exports and some "minimal" Opec output in excess of the production ceil-ing as additional factors depressing the markets. Some unofficial estimates

have placed OPEC's October output at more than 24.9m b/d. The Middle East Economic Survey yesterday described such estimates as high, but said they had "severely undermined" market confidence.

Mr Zanoyan said Opec may simply have to hope for an early cold spell in the northern hemisphere to prop up prices. 'A few weeks of temperatures several degrees below normal in November or early December can have a disproportionate impact on prices." The flow of crude oil

tem in the North Sea has been cut to 60 per cent of capacity due to maintenance on a pump Reuters reports from London. A Shell/Expro spokesman said the pump on the Cormorant Alpha platform was taken out of service over the week-

through the Brent pipeline sys-

Production levels are being maintained using available platform storage," he said. Cormorant Alpha is the hub of the Brent pipeline system through which crude oil from nine other fields passes on its way to the Sullom Voe terminal in the Shetland Islands. where Brent Blend crude is

No.7 RAW SUGAR - LCE

11,03

Turnover 68 (91) lots of 60 tornes

11.03 10.95

#### Pakistan's cotton crop may be 15% below target

By Farhan Bokhari

PAKISTAN'S cotton output may be as much as 10 to 15 per cent lower than this year's target of 12m bales because of pest attacks in central Punjab, senior government officials say in their latest assessm

The new estimates may be a setback to Islamabad's efforts in recovering from last year's large scale damage due to severe floods and a subsequent rirus attack. Output fell then to 9m bales from the expected 12m bales. Mr Zahoor Ahmed, head of

Pakistan's leading cotton research station, in Multan, said yesterday: "The cotton crop could be 10m bales." Recent pest attacks in the Paisalabad division of central

Punjab may have damaged as much as 50 per cent of the crop in that area, he added. The final estimates for this year's crop are expected to be made available in the next couple of weeks.

Meanwhile, legislators elected from Pakistan's cotton belt in Southern Punjab are expected to ask the government for special relief if the eron damage is spread over an area which is larger than cur-

One member of the newly elected National Assembly the lower house of parliament said: "What I have seen out in the fields is certainly no indication of the bumper crop that we hoped to have. It's a sad story of last year's calamity of floods being followed by this year's viral infection.'

Stock prices on Pakistan's largest stock market, the Karachi stock exchange, have risen in recent weeks, partly because of expectations of a large cotton crop and so a cheaper raw material, which would be likely to increase the profitability of textile factocountry.

But with the latest damage assessments, which may raise cotton prices in the local market, it is not yet clear if the forward movement on textile shares will continue.

However, an official of the Pakistan Central Cotton Committee said the rumours of pest attacks could be intended to boost prices, which have dropped in recent weeks on reports of a good crop this year. "It is too early yet to discuss the damage, if any, to the crop," he said. Prices for fresh crop cotton

have fallen sharply to 950 rupees a maund (37.32 kg), from about 1,100 rupees a

LONDON METAL EXCHA

Kunal Bose reports on the country's proposals for retaining credibility as a supplier and, below, on moves to let coffee growers sell their crop abroad

## India backs sugar re-export plan

HE INDIAN federal gov-ernment is favourably disposed to a proposal by the Indian Sugar and General Industry Exim Corporation to import raw sugar this season for re-export, after processing, as white sugar.

The corporation has suggested the export-linked import of 250,000 tonnes of raw sugar during the 1993-94 season. India, which re-entered the sugar export market in 1990-91 after a gap of six years, wili not have any exportable surplus in the current season. The initial sugar production forecast for 1993-94 is 11m tonnes, compared with actual production of 10.8m tonnes last season and 19.4m tonnes in 1991-92. In spite of last year's serious setback in production, India could export 411,000 tonnes of sugar as the 1992-93 season opened with very comfortable stocks of over 4.9m. tonnes. Indian exports in 1991-92 were 562.000 tonnes, up from 223.000 tonnes in 1990-91. The exim corporation has also recommended the import



son to be refined for domestic consumption. These import would be made on condition that the same amount was exported in the following sea-, when production is expected to improve.
The Indian Sugar Mills Asso-

ciation has warned the government that if India suspends export in the current season the country will lose the "cred-

The now on, now off association has taken strong

stock of 500,000 tonnes of sugar created six months ago. It argues that not only should the size should be expanded whenever there is an opportunity to ensure regularity of export, irrespective of variations in domestic sugar production.

According to ISMA, Indian sugar production will once again be low as the area under cane has not increased. What it finds most disturbing is that the area under cane in Maharashtra. India's most productive cane growing state, has shrink, while the condition of the crop in the drought affected Maharashtra is far Floods have affected the

few other places. Total supply of sugar in the current season, which opened with stocks of 3.2m tonnes, will be 14.2m tonnes at most. As domestic consumption will be more than 12m tonnes, compared with 11,9m tonnes last year, the next sugar season is likely to open with disturb-

standing crop in Bihar and a

## Coffee growers to taste foreign trade

N AN important move toward liberalisation of the marketing of coffee, the Indian federal government is to allow growers to export the commodity independent of the

of another 550,000 tonnes of

Coffee Board. Encouraged by the success of its earlier scheme to allow the growers to retain 30 per cent of the crop for marketing within the country, the government has now given in to their demand to participate in the export trade.

According to the new scheme, described as free sale quota (FSQ), growers will keep 50 per cent of the crop for marketing inside and outside the

The scheme will, however, become operational only when certain amendments have been made to the Indian Coffee Act

A SUB-COMMUTTEE of the Indian Coffee Board is inquiring into an allegation that Nestlé India, an important presence in the country's nestic and export trade in coffee, has diverted a portion of the coffee bought in export auctions into the domestic market, writes Kunal Bose. While the company maintains that no diversion of cof-

the sub-committee, which is of 1942. As the Indian Parliament is not in session now and the government wants the scheme to be operational soon, the changes in the Act

will be made through an

unsatisfied with the returns submitted by Nestlé for purchases made at export auctions between October 14 1992 and June 9 1993, thinks there is reason to debar it from par-ticipating in future export auc-The commerce ministry does

helped us in the past," an

ISMA official said recently.

We have made considerable

effort to develop a market for

Indian sugar in the neighbour-

ing countries. This we do not

Moreover, importing raw

sugar for processing into white sugar would enable the Indian

industry to utilise capacity which would otherwise remain

In the meantime, the mills

want to lose."

not, however, favour the idea of keeping Nestlé out of the export auctions. Its main concern is to step up exports as the country heads for a bumfee meant for export has been de to the domestic market, per coffee crop in 1993-94.

> the remaining 50 per cent of the crop to the Coffee Board. It is now clear that the government will progressively increase the size of FSQ, reducing the marketing role of the board and placing a question

of its 4,000 employees. According to growers' organisations the Coffee Board in common with other commodity boards, should be concerned with research and development and promotion of the beverage, particularly in India.

In the meantime, growers are confident that they will be able to realise a better unit value from export sales than the board.

In fact, the stagnation in domestic coffee prices has already been broken after the introduction of privately organised auctions.

There is a general sense of relief that a large-scale change in the coffee trade will coincide with an expected bumper colfee harvest of more than 225,000 tonnes in 1993-94, up from 161,500 tonnes last year.

## LCE raw sugar contract hit by volume slump

By Alison Maltland

TRADING volume in the London Commodity Exchange's new raw sugar futures contract has slumped after a buovant start. Volumes in the contract, launched on October 1, fell from 1,655 lots on the first day to as low as 15 lots on October

26 giving an average for the

month of 370 lots a day.

chief executive, said: "Whilst we want to see much greater levels than currently, it's still very early days and there would still seem to be a high level of support from the trade.
"We remain optimistic that volumes will increase once the physical market becomes more

The premium contract was launched to take advantage of dissatisfaction with the raw Mr Robin Woodhead, LCE sugar contract traded on the

Prices supplied by Amelgamated Metal Trading)

Coffee, Sugar and Cocoa Exchange in New York, Many traders disagreed with a decision to allow Brazilian crystal sugar to be delivered against the New York contract, saying

E.D.& F. Man, the London trading house, said the down-ward trend in volume must be causing concern to the LCE. But Ms Angela Mutton, sugar

researcher with Man, pointed

HEATING OIL 42,000 US galls, cents/US galls

it should not be classed as raw

mark over the future of many

out that volumes had been subdued in New York as well as London last month.

Mr Chris Pack, sugar analyst at C. Czarnikow, another London trade house, said the con-tract faced a "Catch-22 situation", with volumes unlikely to pick up until the physical trade began to show interest.

The sugar producers are looking for volume, and until they're in there, there won't be

Chicago

#### **MARKET REPORT**

ALUMINIUM prices dropped to fresh eight-year lows on the London Metal Exchange yesterday, tumbling to \$1,037 a tonne at one stage before a short-covering rally took the three-month price back up to \$1,045.2, down \$22 a tonne from Friday's close. Aluminium's collapse depressed sentiment in other metals, particularly COPPER, which sagged back towards six-year lows. However, traders said there was some underlying support near \$1,620 a tonne, NICKEL was lower from the outset and prices subsided below \$4,600. Silver's fall (see story above) dragged down precious metals and GOLD tested

#### **London Markets**

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N. ICHTLI	\$151-153	40.5
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Palm Of Middensons	\$337.50	-23
Cops : (Philippenh)	\$285.0	
Sepulpiums (US)	£183.0w	
Cotton "A" ardea	54.35c	
Woollops (61: Super)	35Ap	+12

support at \$362 before closing in London \$6.05 a troy ounce down at \$362.75. PLATINUM fell by \$5.15 to \$369.35 an ounce. "Having failed on the upside last week silver gave us the excuse to take it [gold] down to te said one dealer. Ar platinum "has not independently for mirroring moveme silver". ČOCOA pr some of their early down £6. in routin dipping to £955 fo in New York.

#### Compiled from

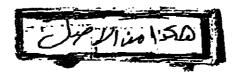
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			ns wore 10 to 15p	Barley	Close	Previous	High/Low	
			churts were, on the ted at last rates.	Nov	101.00		101.20	
hitte	er Coylorts	WORLDCC	akanally dearer with	738	103.05	102.75	103.00	
pa to	mulnder f	inn, Offsha	e: continuing good		147763	102.13	102-(3)	
			blons: quality 200p/	Turnovo	r: Wheat 2	21 (189) 84	lev 38 (20)	
CW III	ocium Iñ	an i-wayang Sepakat The	, medium 122p/kg mghast prica razi:			00 Tarmes	-7 1-4	

de milet	Close		Previo	<b>2</b> 5	High/Low	A	M Official	Kerb ck	е Ор	n interest
ALCOHOLD,	99.7% pt	rity (\$ p	er ton	r10)				Total da	dy turnove	46,798 lots
Cash	1023-4		1046.5			10	118-9		-	
8 mondes	1045-6		1067-8		1057/1037		040-0.5	1047-7.		,898 (ota
Copper, Gr			<u> </u>		4500 610	===		Total d	EY EUROVE	r 40,998 lotu
Cash 3 months	1601.5-2 1624-5		1612.5 1634-4		1598.5/15 1633/1619	97.5 30	997-8 921.5-2.5	1826-7	194	,727 lots
Leed (5 per										er 3,676 lots
Cosh	394.5-5.5		<b>#02.5</b> -3	3.5		34	4-6			<del></del>
3 months	408.5-9		416-7		412/407	4	8.5	409-10		CER lots
Niichel (S pa								Total	telly turnov	er 4,446 kits
Cash 3 ptombs	4505-10		4832-7 4685-9		4650/4850		520-5 570-80	4570-80	49.	200
Tin (5 per to	4580-5		1000-2	<u>.                                    </u>	40004000		70-00			793 lots er 2,866 lots
Cash	4695-700		1725-3	_			350-8	1000	Many Carrier	# 2,000 NILS
3 months	4740-50		1775-E		4790/4870		30-3 365-700	4730-41	13,	980 lots
Zint, Speci	al High (A	rade (S	per to	1919)				Total di	dy tumove	24,547 lots
Cash	931-2		941.5-2		936		<b>35-6</b>			
ड ताधानाड	948-0		66.5-	2,0	955/945	84	3-3.5	955-6	B3,:	97 lots
LIME Closh SPOT: 1.48		* 1	-	sc 1.47	97	8.	nonths: 1.4	ASR.	D me	Mins: 1,4800
										A1910, 1,4000
LIME AM Official E/\$ spot rate 1.4840										
LOSEDON BULLION MARKETT										
Composit Bullion market Prices supplied by N M Rothschild										
Gold (troy o	2) \$ pric		2	edrapes	lerit.	GOLD	100 100	22; \$/tray or		<del></del>
Clase		-363,00					Close	Previous	High/Low	
Opening		-368.10		., 00-		Nov		368.7	O CONTRACTOR	0 .
Morning its Alternoon it	367,96 x 363,25			17.861 15.323		Dec	361.2 362.1	366.7 389.8	958.9	380.7
Day's high	369.00	-369.40	i -			Jen	363,0	370.5	0	0
Day's low	360.75	-381.25	<u> </u>			Feb Apr	363.9 365.6	971,4 378.1	\$70.8 372.0	382.6 364.6
Loco Ldn I	Hean Gol	d Land	log Re	tes (V	US\$	Jun	367.4	374.9	3725	366.0
1 month	2,5	<b>19</b> 6	mont	ha	266	Aug Oct	369.2 371.0	376.7 378.5	\$73.5	572.7 0 .
2 months 3 months	2,6		2 mor	ris.	2.68	Dec	372.9	380,4	376.5	372.4
	2,5					PLATI	NUM 50 B	oy oz, S/tro	· 02.	
Silver fix	- Ingrah			S ets e	diny.		Close	Previous	High/Low	<del></del>
Spol 3 months	288.75 292.65	į	4	16.50 11.80		Nov	363.0	363,0	D	0
६ क्रमधेड	296.50		48	5,40		Jen	367.8	373.1	371.5	365.2
12 pronths	304.00	•	44	3.05		Apr Jul	389.5 370.5	374.8 375.8	\$72.5 \$72.0	368.0 369.5
						Öct	372.0	377.3	Ď.	0
COLD COL						SILVE	R 5,000 to	y az cente	troy az.	
	\$ pr	(Ce		equiv	plent	_	Close	Previous	. High/Low	
			00 2	49.00	262.00	Nov	421,5 .	435.5	0	0
l'ougenand	370	00-373.				Dec	422.5	438.7	431,5	420.0
Maple less	372	30-374.					400 0		401.0	
	372			8,00-8	1.00	Jan Mar	423.7 426.8	437.9	430.0	425.0
Maple leaf New Sovere	372: algn 86.0	30-374.		8.00-8	1.00	Mar	426.8 429.8	437.9 441.1 444.2	430.0 435.0 440.0	425.0 425.0 429.5
Maple less New Sovere	372 lgn 86.0 PTIONS	30-374. 0-89.00				Mar May Jul	426.8	437.9 441.1 444.2 447.2	430.0 435.0	425.0 425.0
Maple leaf New Sovere	372 lgn 86.0 PTIONS	30-374.			1.00 	Mar May Jul Sap Dac	426.8 429.8 432.8 435.6 440.1	437.9 441.1 444.2 447.2 450.1 454.7	430.0 435.0 440.0 442.0	425.0 425.0 429.5 432.5
Maple less New Sovere	372. sign 86.0 PTIOHS (99,7%)	30-374. 0-89.00 Ca				Mar May Jul Sap Dac Jan	426.8 429.8 432.8 435.6 440.1 441.2	437.9 441.1 444.2 447.2 450.1 454.7 455.8	430.0 435.0 440.0 445.0 445.0 150.0	425.0 425.0 429.5 432.5 439.0 439.5
Maple loss New Sovere TRADED C Aluminium Strike price 1025	372. sign 86.0 PTIOHS (99,7%)	30-374. 0-89.00 Ca Dec	ás .			Mar May Jul Sap Dac Jan Mar	426.8 429.8 432.8 435.6 440.1 441.2 446.0	437.9 441.1 444.2 447.2 450.1 454.7 455.8 459.6	430.0 430.0 440.0 442.0 445.0 6	425.0 425.0 429.5 432.5 439.0 439.5 0
Maple feel New Sovere TRADED C Aluminium Strice price 1025 1050	372. sign 86.0 PTIOHS (99,7%)	30-374. 0-89.00 Ca Dec 22 10	As Mar 41 27	Dec 12 25	Puls Mar 16 27	Mar May Jul Sap Dac Jan Mar	426.8 429.8 432.8 435.6 440.1 441.2 446.0 GRADE C	437.9 441.1 444.2 447.2 450.1 454.7 455.8 459.6 OPPER 25.0	430.0 430.0 440.0 445.0 450.0 0 0 00 fbs; cen	425.0 425.0 429.5 432.5 439.0 439.5 0
Maple leaf New Sovers TRADED C Albestratura States price 1025 1050 1075	372: 96.0 PTTOHS (06,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4	is Mor 41 27 17	Dec 12 25 44	May 16 27 42	Mar May Jul Sap Dac Jan Mar 1903	426.8 429.8 432.8 435.6 440.1 441.2 446.0 GPADE C	437.9 441.1 444.2 450.1 454.7 455.8 459.8 OPPER 25.0 Provious	490.0 490.0 440.0 442.0 445.0 0 0 0 0 High/Low	425.0 425.0 428.5 438.5 439.0 439.5 0
Maple feel New Sovere TRADED C Aluminium Strice price 1025 1050	372: 96.0 PTTOHS (06,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10	is Mor 41 27 17	Dec 12 25 44	Puls Mar 16 27	Mar May Jul Sap Dac Jan Mar 19031	426.8 429.8 432.8 435.6 440.1 441.2 446.0 GPADE O	437.9 441.1 444.2 447.2 450.1 454.7 455.8 456.8 OPPER 25.0 Provious	490.0 430.0 440.0 442.0 445.0 0 0 0 0 0 0 0 0 0 0 0 0 72.70	425.0 425.0 428.5 432.5 439.5 0 0 0
Maple feel New Sovere Street Co. Attended Co. Street Price 1025 1050 1075 Copper (Cr. 1800	372: 96.0 PTTOHS (06,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ca 33	fis Mor 41 27 17 fis 62	Dec 12 25 44 21	Pubs 16 27 42 Pubs 33	Mar May Jul Sap Dac Jan Mar 1903	426.8 429.8 432.6 440.1 441.2 446.0 GPADE C Close 72.70 72.90 73.15	437.9 441.1 444.2 450.1 454.7 455.8 459.8 OPPER 25.0 Provious	490.0 430.0 440.0 442.0 445.0 450.0 0 0 0 0 0 0 0 0 0 0 0 72.70 73.00 73.30	425.0 425.0 429.5 439.5 439.5 0 0 0 10/10s
Maple leaf New Sovere TRADED C Algestrates 1025 1050 1075 Copper (Cr.	372: 96.0 PTTOHS (06,7%) 3 tonne	30-374. 0-69.00 Ca Dec 22 10 4 Ga 33 21	fis Mor 41 27 17 fis 62 48	Dec 12 25 44 21 33	Pubs Mor 16 27 42 Pubs 33 44	Mer Mer Jul Sep Dec Jen Mer HOGH Nov Oes Jen Feb	426.8 429.8 435.6 440.1 441.2 446.0 GPADE O Close 72.70 72.90 73.15 73.40	437.9 441.1 444.2 447.2 450.1 455.8 459.8 OPPER 25.0 Provious 73.00 73.15 73.40 73.66	490.0 430.0 440.0 442.0 445.0 0 0 0 0 0 0 0 0 0 0 0 72.70 73.00 73.00 73.00	425.0 425.0 422.5 432.5 439.0 439.5 0 0 15/10s
Maple feel New Sovere Street Co. Attended Co. Street Price 1025 1050 1075 Copper (Cr. 1800	372: 96.0 PTTOHS (06,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ca 33	fis Mor 41 27 17 fis 62	Dec 12 25 44 21	Pubs 16 27 42 Pubs 33	Mer Mer Jul Sep Dan Mer HIGH Nov Des Jan Feb Mer	426.8 429.8 435.6 440.1 441.2 446.0 GRADE G Close 72.70 72.90 73.15 73.65	437.9 441.1 444.2 447.2 450.1 454.7 455.8 456.8 OPPER 25.0 Previous 73.00 73.15 73.40 73.85	490.0 430.0 440.0 445.0 450.0 0 0 0 0 0 72.70 73.00 73.30 73.75	425.0 425.5 432.5 432.5 439.5 0 0 72.70 73.30 73.00
Maple leaf New Sovere TRADED C Absolution Skiles price 1050 1075 Copper (Gr 1805 1706	372- 98.0 PPTICHS 99,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ga 33 21 12	5 Mor 41 27 17 fis 62 48 37	Dec 12 25 44 21 33 50	Pubs Mor 16 27 42 Pubs 33 44	Mer May Jul Sep Dec Jan Mer HIGH Nov Dec Jan Nov Dec Jan Nov Dec Jan Nov Dec Jan Nov Dec Jan Nov Dec Jan Nov Dec Jan Mer High High High High High High High High	426.8 429.8 435.6 440.1 441.2 446.0 GPADE O Close 72.70 72.90 73.15 73.40	437.9 441.1 444.2 447.2 450.1 455.8 459.8 OPPER 25.0 Provious 73.00 73.15 73.40 73.66	490.0 430.0 440.0 442.0 445.0 0 0 0 0 0 0 0 0 0 0 0 72.70 73.00 73.00 73.00	425.0 425.0 422.5 432.5 439.0 439.5 0 0 15/10s
Major Inst New Sovered TRADED C Aluministra Strice price 1025 1050 1075 Copper (Gr 1800 1625 1706	372- 98.0 PPTICHS 99,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ca 33 21 12	fis Mor 41 27 17 fis 62 48 37 Mar	Dec 12 25 44 21 33 50	Pubs Mar 16 27 42 Pubs 33 44 57 Mar	Mer May Jul Sap Dac Jan Mer HRGH Nov Dec Jan Feb Mer Apr May Jun	426.8 429.8 432.6 449.1 446.0 GRADE C Close 72.70 72.90 73.15 73.40 73.85 73.90 74.15 74.35	437.9 441.2 444.2 450.1 450.7 455.8 455.8 455.8 6999ER 25.0 78.40 73.40 73.40 73.40 73.40 73.45 74.40 74.55 74.55	490.0 490.0 440.0 445.0 450.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 72.70 73.00 73.00 73.75 0 74.55	425.0 425.0 425.5 432.5 433.5 439.5 0 0 72.70 72.20 73.30 73.06 0 78.80
Maple feet New Sovere TRADED C Algestrates 1025 1050 1075 Copper (Cr. 1800 1625 1706 Coffee LCE	372- 98.0 PPTICHS 99,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ga 33 21 12	fis Mor 41 27 17 fis 62 48 37 Mar 148	Dec 12 25 44 21 33 50 Jan	Mar 16 27 42 Puts 33 44 57 Mar 46	Mer Muy Sup Dac Jan Mer HOOK Dec Jan Nov Dec Jan Ker Apr Mer Jan	425.8 429.8 432.8 432.6 440.1 441.2 445.0 GRADE C Close 72.70 72.90 73.15 73.90 74.15 74.00	437.9 441.1 444.2 447.2 459.1 459.6 459.6 459.6 Provious 73.00 73.15 73.65 73.65 73.65 74.50 74.50	490.0 440.0 440.0 445.0 2 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 439.5 439.5 0 0 0 0 72.70 72.20 73.30 73.00 73.00 73.80 0 74.50
Maple feet New Sovere TRADED C Altershibte Strice price 1025 1050 1075 Copper (Cr. 1905 1706	372- 98.0 PPTICHS 99,7%) 3 tonne	30-374. 0-89.00 Ca Dec 22 10 4 Ca 33 21 12	5 Mor 41 27 17 fis 62 48 37 148 116	21 22 33 50 Jan 19	Puls Mar 16 27 42 23 44 57 Mar 46 65 65	Mer Muy Sup Dec Jan Hook Dec Jan Feb Mer Apr Aug Juri Juri Juri Aug	425.8 429.8 432.8 432.6 440.1 441.2 445.0 GRADE O 72.70 73.15 73.90 74.15 74.00 74.85	437.9 441.1 441.2 447.2 447.2 450.1 450.1 455.8 459.8 459.8 73.05 73.05 73.45 73.45 73.45 74.55 74.55 74.55 74.55	490.0 440.0 440.0 440.0 450.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 422.5 438.0 438.0 0 0 0 0 72.70 72.20 73.30 73.06 0 74.50
Majie Indi New Sovere TRADED C Altersinium Strice price 1025 1050 1075 Copper (Cr 1905 1706	372- sign 86.0 PETRORES (DQ,7%) 3 tonne side A)	30-374. 0-89.00 Dec 22 10 4 Ga 33 12 132 97 98	5 Mor 41 27 17 18 82 48 37 148 118 91	Dec 12 25 44 33 50 Jan 19 34 55	Pubs Mer 16 27 42 Pubs 23 44 57 Mer 45 95 90	Mer Muy Sup Dec Jan Hook Dec Jan Feb Mer Apr Aug Juri Juri Juri Aug	429.8 429.8 432.8 432.8 440.1 441.2 446.2 446.2 72.70 72.90 73.16 73.90 74.15 74.90 74.85 46 Oh. (1.6)	457.8 441.1 444.2 447.2 447.2 450.1 450.1 450.1 455.8 459.8 75.05 76.15 76.15 76.15 76.25	490.0 490.0 445.0 445.0 450.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 422.5 438.0 438.0 0 0 0 72.70 72.20 73.30 73.06 0 74.50
Majis Indi New Sovere TRADED C Altersinitan Strice price 1025 1050 1075 Copper (Gr 1900 1706 1100 1150 1200 Cooke LCE	372- sign 86.0 PETRORES (DQ,7%) 3 tonne side A)	30-374. 0-89.00 Dec 22 10 4 Ca 33 21 12 Jun 132 97 68 Dec	5 Mor 41 27 17 18 62 48 37 148 118 91 148 118 Mar	Dec 12 25 44 33 50 Jan 19 34 55 Dec	Mar 16 27 42 24 42 23 44 57 Mar 45 90	Mer Mary Jul Sep Dac Jan Mer H9GH Nov Dec Jsn Nov Dec Jsn Ker Apr Mer Apr Mer Apr Mer Apr	429.8 429.8 432.8 432.8 440.1 441.2 445.2 445.2 6RADE © 72.70 72.90 73.15 73.40 73.95 74.95 74.95 74.85 74.85 74.85	437.9 441.1 441.2 447.2 447.2 450.1 454.7 455.8 459.8 73.05 73.15 73.15 73.45 73.85 74.95	490.0 490.0 490.0 492.0 490.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 422.5 432.5 439.5 0 0 0 0 72.70 73.20 73.30 73.06 0 73.80 0 74.50
Maple feet New Sovere TRADED C Aluministes 1025 1025 1075 Copper (Cr. 1900 1625 1706 Coffee LCE 1100 1150 Coons LCE 900	372- sign 86.0 PETRORES (DQ,7%) 3 tonne side A)	30-374. 0-99.00 Dec 22 21 10 4 Ga 33 21 12 Jon 97 98 Dec 44	5 Mor 41 27 17 18 62 48 37 148 118 91 Mar 95	9ec 12 25 44 21 33 50 34 55 Dac	Pubs Mer 16 27 42 Pubs 23 44 45 57 46 65 99 90 Mer 31	Mer Mily Jul Sep Dac Jan Mer HIGH Nov Oec Jan Apr Mer Apr Mer Apr Mer Apr Mer Apr Mer Apr Mer Apr	426.8 429.8 432.8 432.8 440.1 441.2 445.2 445.0 72.70 73.15 73.40 73.15 73.40 74.15 74.35 74.85 74.85 74.85 74.85	457.9 441.1 444.2 457.2 450.1 455.8 459.6 459.6 75.00 75.15 77.00 75.15 77.05	490.0 490.0 490.0 495.0 495.0 60 Est, Can 14gh/Low 72.70 72.70 74.75 0 74.80 0 74.80 0 14gh/Low 74.80	425.0 425.0 425.5 432.5 432.0 432.0 0 0 0 72.70 72.20 73.30 73.30 0 74.50 0 74.50 0
Maple lead New Sovered New Sovered TRADED C Algestratura 1025 1025 1075 Copper (Cr. 1800 1625 1706 Contraction 1150 1250 Coone LCE 805	372- 378- 38-00- SPTRORES (20,7%) 3 tonne side A)	30-374. 0-99.00 Dec 22 10 4 Ga 33 21 12 132 97 98 Dec 44 29	5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	21 22 24 44 21 33 34 55 Dac 14 24	Pubs Mer 16 27 42 27 42 57 Mer 46 65 90 Mer 31 41	Mer Mary Jul Sep Dac Jan Mer H9GH Nov Dec Jsn Nov Dec Jsn Ker Apr Mer Apr Mer Apr Mer Apr	429.8 429.8 432.8 432.8 440.1 441.2 445.2 445.2 6RADE © 72.70 72.90 73.15 73.40 73.95 74.95 74.95 74.85 74.85 74.85	437.9 441.1 441.2 447.2 447.2 450.1 454.7 455.8 459.8 73.05 73.15 73.15 73.45 73.85 74.95	490.0 490.0 490.0 495.0 495.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 425.5 438.0 438.0 0 0 0 0 0 0 72.70 72.20 73.30 73.00 0 73.00 0 74.50 0
Maple feet New Sovere TRADED C Aluministes 1025 1025 1075 Copper (Cr. 1900 1625 1706 Coffee LCE 1100 1150 Coons LCE 900	372- 378- 38-00- SPTRORES (20,7%) 3 tonne side A)	30-374. 0-99.00 Dec 22 10 4 Ga 33 21 12 132 97 98 Dec 44 29	5 Mor 41 27 17 18 62 48 37 148 118 91 Mar 95	9ec 12 25 44 21 33 50 34 55 Dac	Pubs Mer 16 27 42 Pubs 23 44 45 57 46 65 99 90 Mer 31	Mar May Jun	429.8 429.8 432.8 432.8 440.1 441.2 446.0 72.70 72.90 73.15 73.90 74.35 74.35 74.35 74.35 74.35 74.35 74.31 17.41 17.41 17.41 17.41 17.73	437.9 441.1 444.2 447.2 450.1 454.7 455.8 459.8 459.8 73.05 73.05 73.05 73.05 73.05 74.05 74.05 74.00	490.0 490.0 490.0 492.0 495.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 432.5 432.5 432.5 432.5 0 0 0 0 72.70 72.20 73.30 73.00 73.00 73.60 0 74.50 0 17.12 17.48 17.48
Maple had Nanz Sovere TRADED C Aluministra Strice price 1025 1050 1075 Copper (Cr 1900 1625 1706 1150 1150 1290 Coone LCE 900 925	372-2 376,0 96.0 9PTRONES (99,7%) 5 tonne	33-374, 0-69.00 Ca Dec 22 10 4 Ga 33 21 12 97 68 Dec 44 29 19 19	5 5 6 6 6 7 6 6 7 6 7 6 6 7 6 7 6 6 7 6 7	Dec 225 44 21 33 50 Jan 19 34 35 Dac 14 38 .	Pubs Mer 16 27 42 Pubs 33 44 45 55 90 Mer 31 41 55 55	Mary May Sup	496.8 429.8 432.8 440.1 441.2 446.0 GRADE O Close 72.70 72.70 73.15 73.95 74.35 74.35 74.35 74.35 74.35 17.41 17.80 17.78	437.8 441.1 444.2 447.2 447.2 447.2 447.2 447.2 455.8 455.8 455.8 455.8 73.00 Previous 73.05 73.45 73.45 73.85 74.55 74.	490.0 450.0 450.0 445.0 450.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 422.5 432.5 439.5 0 0 0 0 0 72.70 73.20 73.30 73.06 0 74.50 0 74.50 0 16.90 17.12 17.46 17.46 17.46 17.46
Maple lead New Sovered New Sovered TRADED C Aluministes 1025 1025 1075 Copper (Cr 1800 1625 1706 Cottee LCE 1100 1200 Coont LCE 800 925	372-2 376,0 96.0 9PTRONES (99,7%) 5 tonne	33-374, 0-69.00 Dec 22 10 4 Ga 33 21 12 97 68 Dec 44 29 19 19	5 5 6 5 6 6 7 6 7 5 6 7 6 7 6 7 6 7 6 7	Dec 12 25 44 21 33 50 Jan 13 55 Dec 14 24 39 Dec	Pubs Mer 16 27 42 27 42 44 44 44 45 77 Mer 45 90 Mer 53 41 41 53 53	Mar May Jun	429.8 429.8 432.8 432.8 440.1 441.2 445.0 72.70 73.15 73.40 73.15 73.40 74.15 74.35 74.85 74.85 74.85 17.21 17.41 17.41 17.63 17.73 17.88 18.03	457.9 441.1 444.2 447.2 447.2 450.1 454.8 459.8 459.8 Previous 73.15 73.40 73.45 73.85 74.80 78.95 17.12 17.40 17.40 17.41 17.40 17.44	490.0 490.0 490.0 495.0 490.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 14.50.0 72.70 72.70 72.70 72.70 74.80 0 0 74.80 0 0 74.80 0 0 74.80 0 0 74.80 0 0 74.80 0 0 74.80 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 432.5 432.5 439.5 0 0 0 72.70 72.20 73.30 73.06 0 74.50 0 74.50 0 17.12 17.45 17.60 17.20
Maple feet New Sovere TRADED C Atjustestant States price 1025 1050 1075 Copper (Cr 1800 1525 1706 Coffee LCE 1100 1150 1250 Cocon LCE 900 925 950 Great Crust 1860	372-2 376,0 96.0 9PTRONES (99,7%) 5 tonne	33-374, 0-69.00 Ca Dec 22 10 4 Ca 33 21 12 132 97 98 8 Dec 44 29 19 19	5 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	Jan 19 34 55 Dac 14 39	Pubs Mer 16 27 42 Pubs 23 44 45 57 Mer 46 65 90 Mer 31 41 53	Mar May Jun Nov Dec Jan Nov Mar May Jun Aug CRAUS	429.8 429.8 432.9 432.9 440.1 441.2 446.0 72.70 73.15 73.15 73.15 74.35 74.35 74.35 74.35 17.21 17.21 17.21 17.21 17.21 17.21 17.21 17.23 18.03 18.03 18.03	457.9 441.1 444.1 441.1 444.2 457.2 450.1 450.1 450.1 450.1 450.8 450.8 450.8 450.8 750.8	490.0 490.0 490.0 490.0 490.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	425.0 425.0 425.5 432.5 432.0 432.5 439.0 0 0 72.70 72.20 73.30 73.30 0 74.50 0 74.50 0 74.50 17.45 17.60 17.74 17.89 18.00 18.05
Maple feet New Sovere TRANSIDO C Altersinism Strice price 1025 1050 1075 Copper (Cr 1900 1150 1150 1150 1290 Coone LCE 900 625 950 Breest Crud	372-2 376,0 96.0 9PTRONES (99,7%) 5 tonne	33-374, 0-69.00 Ca Dec 22 10 4 Ca 33 21 12 132 97 98 8 Dec 44 29 19 19	5 5 6 5 6 6 7 6 7 5 6 7 6 7 6 7 6 7 6 7	Dec 12 25 44 21 33 50 Jan 13 55 Dec 14 24 39 Dec	Pubs Mer 16 27 42 27 42 44 44 44 45 77 Mer 45 90 Mer 53 41 41 53 53	Mary May Supplement Mary Mary Supplement Mary Mary Mary Mary Mary Mary Mary Mary	426.8 429.8 432.8 443.8 446.1 446.1 446.0 72.70 72.90 73.15 73.90 74.15 74.35 74.35 74.35 17.41 17.41 17.41 17.80 18.08 18.08 18.18 18.28	457.9 441.1 444.2 447.2 447.2 450.1 454.2 455.8 455.8 455.8 455.8 75.05 77.05	490.0 490.0 490.0 490.0 450.0 0 0 0 0 1450.0 0 0 1450.0 0 72.70 72.70 72.70 72.70 74.95 0 74.95 0 74.95 17.94 17.94 17.94 17.94 17.94 17.94 17.94 17.94 17.94 17.94 17.94 18.96 18.18 18.26	425.0 425.0 425.5 439.5 439.5 0 0 0 0 72.70 72.20 73.30 73.06 0 74.50 0 74.50 0 17.12 17.48 17.48 17.74 17.89 18.00 18.05 18.28
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	Latest	Previous	High/Lou		SOYA	BEANS 5.0	i00 by mirg o	ents/808b bus	hel
BC .	<b>52.55</b>	51,56	52.96	<del>5</del> 1.75		Close	Previous	High/Low	
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b er	52.75	52.41 52.01	52.95	52.65 52.45	Nov '	618/4	618/6	623/0	613
-	51.96	51.31	52.20	51.70	. Jan Mar.	628/4 635/6	629/4 636/2	632/4 639/0	622 628
ν.	51.25	50.61	51.26	51.00	Mey	839/0	640/8	643/4	633
,	50.70	50.26	50,80	50.60	Jul	642/2	643/6	647/2	638
	50.80	50.51	50.70	50.70	Aug	844/0	642/0	646/0	637
9	51.60	51.09	51.85	51.30	Sep	631/4	633/0	685/0	630
,	52.04	52.04	0	0			60,000 lbs; c		
00	A 10 tours	e;\$/tornes					Previous		
_	Close	Previous	High/Low	<del></del>	Dec	23,27	23,44	High/Low 25.61	23.1
	1112	1120	1124	- 1105	,Jan	23.35	23.58	23.70	23.2
G T	1156	1169	1157	1150	Mar	23.49	23.66	23.83	23.3
	1173	1175	1184	1169	May	23,55	23.67	23.85	28.4
•	1192	1191	1187	1180	JUL	23.56	23.70	23.85	23.4
,	1206	1206	1200	1200	Aug	25,40	23.52	23.40	23.
3	1218	1221	1218	1215	Sep	28.25	23.35	23.25	23.2
•	1235	1240	1235	1235	Oct	23.05	23.02	23.05	23.0
,	1263	1250	0	0	SOYAL	BEAN MEA	L 100 tons: 5	Mon	
,	1267 1268	1274 · 1299	0	0_		Close	Previous	High/Low	
		500the; cen		<del></del>	Dec	193.4	192.7	193.9	192
					Jen	193.1	192.5	193.6	191
	Close	Previous	High/Los		Mar ·	183.4	193.2	194.0	192
;	77.55	79.50	79,60	77.10	May	194.0	193.8	195.0	192
•	80,15	81,95	87,90	79.76	Jul	194,8	185.0	195.7	193
,	81,60	83.00	83.00	81.50	Aug	194,9	195.3	195.5	193
	82.60	84.60	84.00	62.60	Sep	194.8	195.2	195.3	193
,	84.40	86.00	فعنده	0	Oct	194,5	194.8	194.5	194
	86.60	88.30	Ŏ · ·	ō.	MALZE	6,000 bu	min; cents/56	to bushel	
_	88.95	90.50	<u> </u>	.0		Close	Previous	High/Low	
24	R WORLD	~11~ 112,0	OC liber, cent	MATOS.	Dec	260/6	267/6	261/6	258
_	Glose	Previous	Highton		Max	288/6	265/6	568\g	266
					May	272/0	269/6	273/4	299
•	10.46	10.62	. 10.65	10.45	Jul	272/4	270/4	274/2	270
7	10.62	10.75	10.72	10.60	Sep	261/4	280/4	263/4	261
	10.86	10.81	10.77	10.84		T 5 (M)	min; centa/6	Min. Na paked	
	10.68	10.80 108; certa/l	10.76	10.65		Glosa	Prievious	High/Low	
	Close	Previous	High/Low	<del></del>	Dec	332/4	335/4	339/0	332
_			<u> </u>	<del></del>	Mar	330/0	331/6	335/0	329
3	67.17	57.27	57.45	57.10 57.10	May	318/2	318/6	321/6	317
•	58.04	59.12	69.32	59.00	. ၂/4	310/4	310/4	313/4	310
y	60.08 60.90	60.25 60.96	60.30 61.26	80.07 80.78	Sep	314/4 .	315/0	816/0	314
١.	61.85	61.85	61.90	61.90	UVE	ATTLE 40.	000 lbs; cent	edl\s	
	61.94	45.90	62.05	81.90	<del></del>	Close	Previous	LEAST	
	82.85	62.63	0	. 0	<u></u>	73,876	74.050	HighVLow	700
	SORUE RO	16,000 fbs;	cents/fos		Dec Feb	74,800	75.125	74.225 76.200	73.6 74,6
AN				<u> </u>	Apr	76.250	76.325	76.475	78.1
ANK	- ·	Previous	High/Low		- Carlo	72,975	73.175	73.350	72.6
ANK	Close		10710	102.25	AUG	71.575	71.625	71,950	71.5
	Close 108.75	106.70	107.10					72,225	71,6
_		106.70	110.30	105.25	Oct	72.050	72,100	سمين	
_	108.75 107.15 110.00			105.25 105.60		72.050			
,	108.75 107.15 110.00 111.50	109.15 111.50 118.16	110.30 112.50 113.15	105,25 105,60 110,50		72.050 IOGS 40,00	0 fb: centa/k		
	103.75 107.15 110.00 111.50 -112.45	109.15 111.50 118.16 114.66	110,30 112,50 113,15 0	105,25 105,60 110,50		72.050			
	108.75 107.15 110.00 111.50	109.15 111.50 .118.16 114.66 115.40	110.30 112.50 113.15	105.25 105.60 110.50		72.050 IOGS 40,00	0 fb: centa/k		
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	103.75 107.15 110.00 111.50 113.45 114.15 111.45	109.15 111.50 118.16 114.66 115.40 112.65	110.30 112.50 113.15 0 0	105.25 106.60 110.50 0	LIVE H	72.050 IOGS 40,00 Close 49.225	O Rx cents/R: Previous 49.050	19,350 60,200 48,350	49.0
,	108,75 107,15 110,00 111,50 112,45 114,15 111,45 111,45	109,15 111,50 113,16 114,66 115,49 112,65 112,65	110.30 112.50 113.15 0 0 0	195,25 196,60 110,60 9 0 0	LIVE H	72.050 IOGS 40,00 Close 49.225 50.075 48.225	0 lb: centa/k • Previous 49.050 60.025 48.200	18g/vl.ow 49,350 60,200	49.0 49.0 48.0 52.1
	108.75 107.15 110.00 111.50 112.45 114.15 111.45 111.45	109,15 111,50 112,16 114,66 115,40 112,65 112,65 112,65	110.30 112.50 113.15 0 0 0	165,25 106,60 110,50 9 0 0 0	Des Feb Apr	72.050 IOGS 40,00 Close 49.225 50.075 48.325 52.300	0 Rx centa/A: - Previous - 49.050 - 60.025 - 48.200 - 52.325	49,350 60,200, 48,350 52,330	49.0 49.0 48.0 52.1 51,1
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#### FINANCIAL TIMES SURVEY

# CORPORATE TREASURY MANAGEMENT

Tuesday November 2 1993

Volatility in European currency markets and fear of foreign exchange dealing losses have forced companies to

strengthen controls and re-assess their approach to hedging, Tracy Corrigan writes. Institutional investors are also demanding greater disclosure.

## **Purse strings** are tightened

WHILE THE advantages of a strong treasury function have become much more widely on currency hedging; for example, hedging two to three months ahead, rather than 18 appreciated by companies in recent years, so too have the potential risks associated with a poorly managed treasury

The loss of £150m in foreign exchange dealings by the treasury department of Allied-Lyons, the UK foods group, in 1991 triggered a wave of concern about internal man-

agement procedures. Since then, as well as tightening up controls, many companies have also started to pay more attention to broader policy issues. In particular, the unexpected volatility of European currencies over the past year has forced a number of companies to reassess their

approach to hedging. For example, many UK companies had stopped hedging their exposure to European currencies, because they thought that they were protected by the exchange rate mechanism. When some currencies fell outside the system, they were taken by surprise.

"Many boards have been requiring the treasurer to be much more rigorous in deciding the hedging programme," said Mr Derek Ross, a partner at Touche Ross who advises companies on treasury man-

months, so that if the market turns, the company is not locked in at a disadvantageous rate for a long period.

Company board members are less likely these days to dismiss treasury officials as bureaucrats, and more likely to have an idea of what actually goes on in their company's treasury operation. The other issue which has

brought corporate treasury into the limelight has been a growing chorus of demands by institutional investors for greater disclosure of corporate treasury policies in companies'

The Association of Corporate Treasurers (ACT), a grouping of UK company treasurers, has produced an exposure draft of guidelines for disclosure. In the current climate, in which companies are being bombarded with new disclosure requirements, some companies are rather unenthusiastic. while others take the view that the guidelines should go fur-

Again, currency volatility has highlighted this issue. Analysis or investors looking at, for example, a UK company which has a large US operation could expect that company's



ings has been hedged, this will not be the case. Analysts would like to know not only whether the exposure is hedged, but also what rate the company has locked in.

Only a few UK companies including RTZ and Courtaulds, describe their treasury activities, including interest-rate and currency exposure management policies, in any detail.

Among companies themthere has been a renewed focus on cash management. "If you can manage \$10m of liquidity better, that is fundamental to the business. points out one treasury adviser. The stronger emphasis on performance management, as well as tough times at many companies, has focused attention on an area that was often ignored in the 1980s.

But the emphasis on internal Allied-Lyons loss was incurred by the writing of currency believed the US currency

options, creating huge positions which were concealed from senior management.

In the wake of that loss, the ACT issued a set of guidelines urging tighter internal controls, regular audits and full disclosure of risk management

However, companies have continued to report losses stemming from treasury operations. Most have been on a much smaller scale, though a few have been substantial.

Most recently, Showa Shell Sekiyu, the Royal Dutch/Shell group's Japanese affiliate, revealed in February that traders in its treasury department had run up some \$1bn in unrealised foreign exchange

amount of attention that top A \$6.44bn forward exposure management has given to to the dollar at the end of last internal control," said Mr Ross. year was incurred in secret by who is also chairman-elect of sury, which had erroneously head office. Quite often, prob-

would rise against the yen. Announcing its first-half lems arise in some far-flung branch or associated comresults in August, Showa Shell described progress in unravell-For companies concerned

ing the exposure as encourag-

ing, but said there was a "long-

ish tunnel" of two to three

years before it would emerge

particular area of danger for large multi-national compa-

nies, which lies in the diffi-

culty in keeping tabs on all

areas of business. Most large

multi-national companies now have centralised dealing

operations, rather than trea-

sury functions attached to

"Generally, there has been

quite a big improvement in the

This latest loss points to a

from the episode.

each offshoot.

about the efficacy of their internal controls, there are a number of important checks to be implemented, such as making sure that the company's board agrees with policy, that there is complete segregation of duties between dealing, confirmation settlement and reporting functions, and that all transactions are marked to market value. These procedures should also, of course, apply to financial institutions.

For example, Sumitomo Finance International incurred a \$2-3m loss on its interest-rate options book last autumn, after a desk manager had concealed his real trading position from senior management.

The manager of the interesti to record that is primarily exercised in the value of his positions in management reports submitted

to his chief executive, but he IN THIS SURVEY gave falsely inflated values in order to hide his true position. Foreign exchange risk: He then persuaded an ERM upset causes new employee with another firm,

anxieties

which he knew was used by

Sumitomo's accounts depart-

"In my experience, there are a lot of banks where a trader,

believed to be of exceptional

quality, reports direct to the top," said Mr Ross, who advises banks and securities

firms in this area. "It's easy to

develop a culture which allows

the trading-room to develop

Since the Allied-Lyons losses were reported, there has also

been a general move to upgrade computer systems, as

technology has advanced and

costs have fallen. Sophisticated systems are particularly impor-

tant in certain areas of risk

containment; for example, in

marking to market. "But the

key features of internal con-

While a collusive fraud may

still be hard to detect, controls

involving a range of different

functions in the trading, settle-

ment and reporting process at

least reduce the opportunities for positions to be hidden.

"You can't stop somebody doing an unauthorised trade,"

admits Mr Ross. "But you can

make sure it can be closed out

While there is still a strong

emphasis on keeping controls

in place in the treasury depart-

ment, the emphasis on manag-

ing financial risk is also

spreading away from the trea-

sury function, according to

some management consultants.

Lybrand point out that many

of the notorious losses at com-

panies in recent years stem

from inadequate management

of financial risks in other areas

of the business - production

quality failure in the case of

Perrier, marketing failure in

the case of Hoover, for exam-

common, according to Coopers,

what these lo

Consultants at Coopers &

the following day."

trols are not systems issues,

without controls.

ment to check those valuations, to quote inflated prices that corresponded with those ■ Commodity risk: swaps gain in popularity in his own internal manage-

> ■ Debt management: lower interest rates bring new problems

■ New US rules: banks may be over-estimating the

Cash and liquidity management in pursuit of vield as recession ends

Tax regimes: following at sneil's pace behind business innovation

How banks do it: Alcos as an 'engine-room'

\$150m hit, they were not expected by top management and they could have been avoided by proper financial risk man-

"Financial risk is being rede-fined," says Mr Howard Lovell, a partner of C&L. "Should companies have a risk management function, over and above the Treasury department?" For example, a finance director could be given the task of managing the risks facing the company in a broader context.

For all the importance of interest-rate management. interest rate risk is relatively small, compared with other risks to the company which could wipe them out, he argues, adding that some companies have already taken this point on board.

Mr Lovell takes his argument a step further. "Is trea-

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## The key to minimise risk and maximise return: Tri-Party Repo.

#### First tri-party repurchase agreement in Europe

Excerpt of an article which appeared in the FINANCIAL TIMES, London, October 1, 1992

No other money market product offers greater security than a bank deposit, more flexibility than commercial paper and still provides a competitive rate of return. The market for Repurchase Agreements (repos), long established in the United States as a preferred investment vehicle of corporate treasurers, insurance companies and central banks, is now available in a wide variety of currencies through Swiss Bank Corporation's Tri-Party Repo service. Tri-Party Repo gives you reward with virtually no risk since your cash investment is collateralised with high grade corporate or sovereign debt issues. In addition, repos may be custom-tailored to fit any maturity from one day to one year or any period in-between with all administrative duties handled by the Tri-Party custodian (Cedel or Euroclear) at no cost to the investor. Swiss Bank Corporation combines a cast-iron reputation for safety with the proven expertise to make repos work for you. To make the most of your cash, please call Christine Brown-Quinn or Mark Mazzonelli in London on (44) 71 - 711 2801.



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Antonia Sharpe examines foreign exchange risk

## ERM upset causes new anxieties

MOST COMPANIES think nothing of paying large premiums year after year to insure their factories or offices even if, so far, they have never burnt to the ground.

Yet many are only just coming round to the idea of paying similar amounts to protect their earnings against events beyond their control such as volatility in the foreign exchange markets.

European companies were starting to think that currency fluctuations were a thing of the past while the European exchange rate mechanism (ERM) was performing in line with their expectations.

However, the exit of sterling and the lira from the ERM in September 1992 and the virtual collapse of the system in August this year, when some currency bands were widened to 15 per cent, has sent many corporate treasurers back to the drawing board.

"Companies are now worrying more about foreign exchange risk than before the collapse of the ERM," says Mr Albert Maasland, the European head of foreign exchange sales and marketing at Chase Investment Bank in London.

While the ERM was running under its old format, companies were content to use the D-Mark as their main hedging currency against the other leading global trading currencles, since the German currency was effectively the proxy for all the other European cur-

But after the ERM bands widened, this was no longer the case and companies could not take it for granted that the ERM would provide them with adequate protection. Consequently, they are having to hedge themselves against a far

bigger number of currencies. This has led to a big increase in the trading volume between the leading world currencies and the less active European currencies. For example, trading in the yen against the Belgian franc has increased sub-

The improved volume is actually working in favour of companies, because the greater liquidity in such currency crosses has improved pricing

In addition, now that the ERM no longer provides blan-ket protection against a wide range of currencies, banks have developed various derivative products which are designed to do just that.

Bankers report that volume in derivative products has dramatically, because corporate treasurers agree that it is probably more

actively in the emerging markets, especially in Asia. Bankers say there is active two-way business in this area, because companies in the emerging markets are also keen to use

Even companies that only do business in their domestic market are increasingly exposed to fluctuations in the foreign exchange market following the

UK companies were among the first to become aware of the indirect danger to their earnings, shortly after sterling started to fall against other European currencies.

Now that the ERM no longer provides blanket protection against a wide range of currencies, banks have developed derivative products

dangerous to do nothing about a currency exposure than to devise appropriate hedging strategies.

In addition, there is a consensus that the heavy currency-related losses suffered by Allied-Lyons, Shell and Adam and Co, the private bank since taken over by Royal Bank of Scotland, highlighted the inadequate controls at those companies and not that the hedging instruments were at fault.

These derivative products. which tend to be traded more actively over the counter than on the exchanges, can be tailor-made to each company's individual needs. Their main attraction is that they offer companies a cheaper and more efficient way to hedge themselves against several curren-

One product which is becoming increasingly popular is the "basket" option, which has been used for many years in the equity markets. It has since been developed to provide a lower-cost hedge for multiple currency exposures against one

or more "base" currencies. Such products are also being used by European companies which are trading more

Although sterling's depreciation was seen as a godsend for the country's exporters, it has created a series of problems for companies in the domestic sec-

Mr Les Halpin, managing director of Record Treasury Management, a UK company which advises corporate clients on how to manage currency risk, gives the example of confectionery manufacturers who are having to pay far more for their raw material, sugar.

The intervention price of sugar in the European Community is denominated in the European currency unit (Ecu). Sterling's fall against the Ecu. combined with changes in the EC's agro-monetary regime, resulted in UK confectionery manufacturers having to pay more for their sugar.

However, they were unable to pass on their higher raw material costs to their customers, because of the pricing war among the various supermarkets. Their profit margins suffered as a result. These companies suddenly

woke up to the fact that they faced foreign exchange risks even though they were totally focused on the UK domestic

market," says Mr Halpin. One solution offered to a company in this situation was to undertake a series of foreign exchange deals, whereby it would be short of sterling when the currency was going tion when sterling was going

up.
"By using straightforward financial instruments these, companies can create a suit-able risk profile," says Mr Hal-

Some manufacturing compa nies that export their products neutralise any competitive disadvantages resulting from foreign exchange fluctuations by buying parts for their products in the countries of their principal rivals.

For example, a UK car comis known to buy German gear boxes, one of the most expensive components in a car, so that it can compete on a more equal footing with German car companies both at home and in the export mar-

doing business in many countries for decades have not been greatly affected by the turmoil in the ERM, because they have been structured in such a way as to minimise the impact of foreign-exchange movements on their earnings. For example, BAT Industries,

the Anglo-American tobacco insurance group, has decentralised its operations, to enable most currency transactions to be handled locally.

"BAT tends to be fairly large in the local economies, so we have the ability to take quality decisions locally," says Mr Richard Desmond, the group's corporate treasurer. "As a result, our exposures are not

However, BAT also has a centralised "netting" process, so that its foreign subsidiaries can set off any currency exposures which they might have against one another. "We have an information system which lets us know exactly what the general exposures are in the group," says Mr Desmond.

BAT's non-remitted profits are not hedged, since they are kept by the local companies to build up their asset base. However, cashflows to the centre are managed actively by BAT's in-house treasury team of five professionals. BAT uses an average rate to translate foreign exchange earnings, but also uses options strategies to help reduce risk.

Robert Alidis discusses new approaches to commodity risk

## Swaps gain popularity with users and producers

COMMODITY SWAPS have years. But until three years ago, few raw material consumers or producers were actively using swaps to hedge their exposure to changes in commodity prices.

Today, the interest in commodity swaps is rapidly gain-ing momentum, but there is still some way to go before this interest is turned into wide-

The total value of deals done

is still small. The International Swaps and Derivatives Association (Isda), in its first analysis of commodity swaps, reckons they were worth, at the end of 1992 in notional principal terms of those outstanding \$18bn - and of those, only \$3bn were non-energy swaps. But the market for total interestrate swaps in the same period \$3,850bn, with currency swaps worth \$860bn. Still, having come from nothing a few years ago, the growth in use of commodity swaps is significant: they are a useful cost-effective and tailor-made vehicle, for users and producers of raw materials to manage their

individual commodity. In the swap, the commodity consumer normally pays fixed and the producer floating, protecting the latter from any drop in the commodity's price. Usually, only payment streams are exchanged, rather than physical delivery taking place. And as the swap is tailored to the particular commodities

exposure to price risk of an

being used/produced, the basis risk of using an imperfect substitute, say for jet fuel, when hedging in the futures market, is eliminated. But this still

does not answer the main reason why the rise in the total value of the commodity swap market has happened now. Price factor: Base metal prices have hit six-year lows in recent months; this has put a limit on downside risk. The cash price for copper currently trades at around \$1,675 a tonne, near its six-year low when it touched \$1,571. And nickel is also at levels not seen since June 1987, when it traded at \$4,451 a tonne (currently,

lock in at current price levels. ■ Understanding: Corporate treasurers are becoming increasingly familiar with the use of derivatives to manage their interest rate and currency exposures. A survey by Greenwich Associates, a Boston-based business strategy consultancy, found that 52 per cent of European and Middle Eastern institutions in early 1993 were hedging their currency exposure by using forwards of less than one year, and that 39 per cent used nondollar interest rate futures or exchange-traded options. And, says Mr Per Sekse, vice-presi-

The more exotic commodity swaps have tended to be used by heavy energy users to hedge their fuel costs

nickel is trading around \$4,675 a tonne). With base metal prices so

depressed, there is a fair chance that their next move will be up. "If I were a consumer, I would fix prices now as prices are so low. But if something happens, these prices would go higher quicker than you know it - that's why we're seeing such a lot of activity." says Robert Miller, vice-president of commodity risk management at Chase Manhattan Bank in London. And since commodity prices have a habit of being highly volatile (acutely felt during the Gulf war), it is good time for

raw material consumers who

dent responsible for commodity derivatives marketing in Europe for Chemical Bank, London, corporate treasurers seem increasingly willing to deal over-the-counter with the investment banks, rather than run their own hedging

The banks can also offer a wide range of tailor-made services and structures, says Keith Murphy, vice-president and head of commodity deriva-tives at J P Morgan, London: They are looking at very customised products, such as indices or baskets of commodities of the very specific exposures that they have."

The more exotic commodity

swaps have tended to be used by heavy energy users to hedge their fuel costs. Ed Speal, head of commodity ransactions at Banque Pariba in New York, says he has done swaps on specific pipelines for natural gas and different grades of fuel oil. Also, by embedding options into th swap, he has been able make an even more attractive and flexible product. But for widespread use of the complex vehicles for all raw materials, a senior US investment banker says: "The derivatives industry will get there, embedding four or five different risks into the one vehicle. Within the next year or two you will see the

But the derivatives boffins have never been short on innovation. For most corporates, however, the plain vanilla structures remain the rule of thumb. And the majority of commodity swap vehicles tend to be settled against the monthly average price of the raw material. These Asian (or average-rate) products are particularly well suited to commodities.

"If an airline is buying jet fuel every day for a year, it is not worried by the specific price of the fuel on a specific day, but is more concerned by its average price," explains Mr Miller. But in the currency markets, "as I know when apayment is coming in on a rticular day, I am worried by the exchange rate on that par-

Continued on facing page

#### Debt management

## Lower rates bring new problems

UK COMPANIES breathed a huge sigh of relief when interest rates started to come down late last year, but at the time only a few believed that rates would fall as far as they

One of the main advantages of a low interest rate environment is that companies have been able to make substantial savings by re-financing old, high-coupon debt with cheaper debt.

Investor demand long-dated paper has also enabled companies to extend the maturity of their debt profiles. By issuing long-dated and redeeming short-dated debt, many companies have achieved an average life for their debt of more than five years at the lowest interest rates in 20

At the same time, the lack of supply of corporate debt. especially in the UK bond market where demand has been great, has resulted in a dramatic tightening in the spread on such paper, that is, the premium which issuers have to pay above the yield on government bonds.

Many companies have also shifted the balance of their fixed-rate and floating-rate debt in favour of floating-rate debt, in order to make the most of further falls in interest

Although the benefits to companies of lower interest cannot under-estimated, the sheer pace of the fall in rates has created a new series of problems for company treasurers to solve.

Companies which find themselves in the most difficult position are those with a high proportion of their debt fixed at a rate well above the current interest rate.

Since they are having to pay more than the market rate to service their debt, this places them at a competitive disadvantage to their rivals who have a far greater proportion of their debt with a floating or market rate. Each time rates fall, the competitive disadvantage becomes greater.

"It hurts to admit that you are paying well above the going interest rate for your debt," says a banker at a leading investment bank. As a result, banks are noticing a rise in demand from

companies for derivative products that enable them to cut the cost of servicing their fixed-rate debt, says Mr Paul Ward, director in the fixed-income department at Salomon Brothers in London. The derivative product

designed to help companies in this situation is called an "interest-rate swap". Using this structure, the company enters agreement counterparty, usually the derivatives unit of an investment bank, to swap the fixed rate on its debt for a

It is likely that the company will end up having to pay a substantial margin above the London interbank offered rate (Libor), because of current market conditions.

However, it will reap the benefit of the swap when Libor falls, because its interest costs will decline accordingly. Had the company decided to stay with fixed-rate debt, its borrowing costs would have remained the same.

Falling interest rates also harm companies which relied on the interest income generated by their cash mountains during the period of interest "Corporates do not usually buy protection against falling at Chase Manhatten Bank in London.

One solution for a company in this situation would be to enter a swap which allows it end up receiving a fixed rate on its cash mountain. In return it pays a floating rate to the counterparty. This is effectively the reverse of the swap taken out by a company looking for a solution to its fixed-rate debt problem.

Mr Ferrazzi says that another way that a company can insure itself against falling interest rates is to buy a "floor" or a minimum interest rate, which it will continue to receive on its cash even if rates go below the level specified by

Alternatively, the company can sell a "cap" or a maximum interest rate against its cash, whereby it gives up any potential returns above the cap in return for a fee.

an efficient way to adjust the fixed-rate/floating-rate split of their debt portfolio depending on the trend in interest rates. Mr Arthur Burgess, group treasurer at British Gas, says

that British Cas aims to have

fixed rate and one-quarter in floating rate, but that the solit can vary to half-and-half depending on the company's view on interest rates. ' use the swaps market to switch from fixed to floating,

Derivatives are becoming an increasingly important part of a company's strategy to manage debt. Indeed, a recent court decision in the US has potentially opened the door for directors to be sued for failing to use derivatives to protect their companies against volatility in the financial

The indiana court of appeals (Brane v Roth) held that the co-operative had been negligent in not considering the possibility of hedging their pany's grain holdings by using the futures market.

Antonia Sharpe

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#### Commodity swaps

Continued from facing page

ticular day." Average priced swaps account for virtually all the energy swaps Mr Miller does, and around 75 per cent of metal swaps.

Depth and maturity: As the number of banks involved and the amounts of swaps outstanding increase, liquidity in commodity swaps has risen and generally spreads have narrowed. And with higher liquidity in the market, longer-dated vehicles are now being seen.

"Commodity hedges on the exchanges a couple of years ago were only going out three to six months forward. Now, in the OTC market, hedges are extending one, two and three years forward and beyond, which has had a fundamental impact on the forward curve," says Mr Murphy, at J P Morgan. A strong and active domestic

futures market is also important for the banks to lay off their own counterparty risk "A liquid futures market is not sential to structure a commodity hedge. But if we move away from products that don't have a good underlying futures market, then we get into basis risk, and our prices have to reflect this," says Mr Sekse, at Chemical Bank. And if there are options on the future, he/ she can buy and sell volatility and do his/her own delta hedging without fear of getting squeezed. But even though relatively cost-effective and flexible method to hedge raw material prices, some corporates are still wary.

For example, Mr Sekse advised photographic film manufacturers on the benefits of hedging the silver price when prices were low. But as soon as prices picked up, they quickly saw the new levels as unsustainable and backed-off the hedge, expecting the next move

Mr Sekse had more succes with frozen orange juice swaps used by fruit juice processing companies. The juice processors locked in at a rate of just under \$1.00 a lb earlier this year, against a price now of around \$1.30 a lb. But some of the manufacturers wanted to take profits, despite having

A NEW accounting rule that comes into effect in January in the US will require banks and corporate treasurers to take a closer look at securities held in portfolio, and account for them according to the institution's long-term investment inten-

The rule is expected to shift a large number of debt securities out of the historical amortised cost basis accounting into market value. Many capital-sensitive companies, particularly banks, are already shuffling portfolios in response to the rule, trading off potentially vol-atile long-dated debt in favour of short-dated securities.

The concern over bond price volatility is considerable, since the Federal Reserve Board in August grudgingly decided to follow up on the accounting rule, known as Federal Accounting Standards Board statement 115, by requiring banks to adjust their equity capital to reflect unrealised gains or losses for securities

they hold for sale. FASB 115 establishes three classes of debt securities. Securities that are to be held to maturity can continue to be reported at amortised cost. However, if the institution believes the security might be

T IS not only pensioners that

when interest rates are low.

Companies with large cash bal-

ances are finding interest

shareholders.

suffer a drop in income

CORPORATE TREASURY MANAGEMENT III

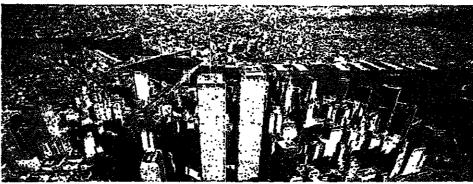
## New US rules will shake up securities accounting, reports Laurie Morse Banks may be over-estimating the effect

- say, to create liquidity to meet seasonal loan demand the security must be classified "available for sale," and be valued at the market on a quarterly basis, with unrealised gains and losses affecting the institution's equity position. Securities held for trading

purposes, the third category, are reported at market, with unrealised gains and losses going straight to the income Bankers say that many secu-

ritles traditionally considered as held to maturity will shift to the "available for sale" category, because the rule discourages the sale of a security classed as held for maturity. The rule says transfers between classifications must be rare and unusual, and any transfers must be accounted for as a sale and repurchase at

In addition, because FSBE 115 is asymmetrical, and deals only with the asset side of an



But what happens when lofty markets come down to earth?

institution's balance sheet, a security must be classed as "available for sale" if its price risk is hedged, or if it might be sold to implement an asset-liability management strategy.

A sizeable amount of long-term debt that had been safely amortised under the investment category will soon market, which bank managers say will have near-term and

intermediate effects on capital. The current environment of low interest rates and rapidly appreciating stocks in the US should benefit a bank's capital position when the initial market valuation occurs. "Almost anyone who's holding a long bond has a profit in it these days," notes one institutional money manager. As a result, few companies are expected experience immediate equity mark-downs.

However, the lofty levels of both the US bond and stock markets makes these profitable investments highly vulnerable to a market reversal, and introduces the very real risk of capital volatility. Bankers fear that depositors

and regulators who use capital as a measure of a bank's soundness will misinterpret marketbased capital swings. In fact, rules will force banks to manage their portfolios to avoid dramatic capital shifts, at the expense of profitability or managing interest rate risk.

The belief is well-founded. Bankers, when given the choice, invariably choose capital preservation over higher portfolio returns. A secondary concern for US banks is that a variety of regulatory actions, including the price of bank denosit insurance, is linked to an institution's capitalisation

"We're concerned that, by forcing capital to rise and fall, FASB's action could trigger a variety of unnecessary penalties and unwise business decisions," said Mr Donald Ogilvie. executive vice-president of the American Bankers Association In fact, the bank lobby could

be overestimating the effects of the new accounting rule. Many of the smallest US banks continue to act as traditional bankdeposits at higher rates than they pay depositors. If lending is the primary business, a bank's securities portfolio can rightly be classed as invest-ment, and held to maturity. and avoid market valuation.

The nation's largest banks will also be prepared for the rule, with many intending to use derivatives to manage market risks and to adjust the maturities in their "held for

sale " securities. However, many managers are shortening debt maturities. Securities with maturities of four years or less can be put in the "held to maturity" category with more confidence than a 30-year bond. In the "available for sale" bucket, a short-dated note is less exposed to a capital

One unexpected result of the accounting rule may be to shut traditionally long-term municipal borrowers off from their usual investors, and prevent communities from locking in historically low long-term inter

In communities where local banks are active buyers of these portfolio shifts could be to force municipalities to issue short-term debt to finance long-term projects.

Simon London explains how liquidity is monitored to ensure cash flow is in good health

## In pursuit of yield as recession ends

mrome squeezed, and face pres-sure to either make cash work harder or return the surplus to spent £350m buying-back its Organisation of cash manage-

ment within a company can help to increase returns without any change of investment strategy. Squeezing the most out by reducing working capital, cutting debtor days and stocks is an obvious place to start. As the economy pulls out of recession. though, the pressure will be in the opposite direction.

Bringing the surplus cash resources of a group together in one centrally-managed fund is a self-help strategy favoured by

many companies.
"Centralised cash management produces the best returns by concentrating expertise, increasing the size in which we can deal and avoiding the position where idle cash balances are spread around the group," said Philip Wood, director of treasury at Reuters, which had

For Reuters, the threshold is normally set at a credit rating Reuters' approach also of single-A from one of the big demands close involvement of rating agencies. This applies to tax planning in investment decisions. "We are always tryswaps contracts and exposures other than deposits. Different ing to maximise the after-tax types of exposure to each instireturns to shareholders. Investution are added to give an tors measure us in terms of aggregate exposure.

earnings per share, and that is how we judge ourselves," commented Mr Wood. But good housekeeping and careful planning can only work so far. The search for higher yield almost inevitably involves a greater degree of risk. As many local authorities found out to their cost, deposits placed stable through such problems. with the Bank of Credit and Commerce International offered higher returns than those placed with clearing banks for a reason. In the light of the BCCI

collapse, many companies have

tightened controls and do not

But credit ratings are not the only guide. Many company treasurers have been wary of buying mortgage-backed securities following the financial problems faced by National Home Loans, a prominent issuer. In fact, the credit quality of asset-backed bonds originated by NHL and others remained reassuringly

But prices fell as investors edged away from the market.
"It is partly a question of self-protection. It is easier to go to the main board to justify huying plain-vanilla govern-

backed bonds, and most will react with suspicion," commented the treasurer of one large company.

Another way of chasing additional yield when short-term interest rates are low is to move into longer-maturity instruments. The 100-year bonds issued in the US by companies such as Coca-Cola are the most extreme examples, offering a yield comfortably above the benchmark 30-year US treasury

The danger is that very longdated instruments tend to be more sensitive to changes in interest rates and expectations of inflation than shorter maturity stocks. Credit risks may be no greater than short-dated paper, but the market risks can be difficult to manage.

The same might be said of investment in foreign currency

shareholders funds are denominated and earnings per share is measured. Others invest in currencies which are a broad match for their spread of underlying business, or which help off-set exposures to help smooth earnings per share.

ments are used to help offset interest-rate or foreign-currency risks. The philosophical view of companies which prefer sterling-only investment, though, is that the cost of hedging eats into additional yield gained from the underlying invest-

Derivative financial instru-

Reuters invests mainly in sterling instruments. It aims for a compromise on interest-rate exposures by identifying a core cash position which is likely to be maintained for at least three years and locking into interest three years maturity, but interest-rate swaps are used to lock into rates of around three years. Cash outside the core is likely to fluctuate - with acquisitions or other corporate needs - and is treated separately.

neither short-term nor long-term interest rates are especially low in real terms. when measured against inflation. A real return on bank deposits of around 4 per cent represents a reasonable real yield by historic standards.

Even so, low nominal interest rates make it difficult for companies to justify holding cash which is unlikely to be channelled into productive investment. Most industrial companies demand a nominal return

machinery. Ronnie Hampel. ICTs chief executive, has said that an average return of 20 per cent through the economic cycle will be demanded of new investment in the chemicals business. Set against such stiff targets, holding excess cash can act as a drag on a company's rate of return on capital.

Reuters' decision to implement a share buy-back programme is a symptom of such pressure. Glaxo's decision to pay a higher than expected dividend this year also reflected the growth of its cash pile from £1.3bn to £1.8bn, despite spending £850m on research and development - and pres-sure from investment institutions to stem the rising tide.

But Glazo has no immediate plans to return the bulk of its cash to shareholders. Cash-rich companies, such as GEC, equally show little enthusiasm for making a one-off payment Like other companies which face an uncertain trading environment, Glaxo argues that cash gives it the flexibility to react to a changing market. On that view, cash always has

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Solutions for Business

#### CORPORATE TREASURY MANAGEMENT IV

Jonathan S. Schwarz discusses tax regimes' imperfections

Following at snail's pace

Peter Carty on banks' management of balance-sheet risk

■AX LAWS follow several steps behind business innovation. While finan cial institutions have developed and marketed sophisticated and inventive financial instruments. tax systems have adapted at a

Comprehensive tax regimes for foreign exchange gains and losses and financial instruments designed to manage currency and interest rate risks are still in their infancy. As a result, tax authorities and payers alike struggle to adapt existing tax rules to these transactions

Not only are results obtained unsatisfactory, but the tax consequences of legitimate transactions are often uncertain. On the other hand, tax authorities are uneasy because of potential revenue losses arising out of the use of increasingly sophisticated and complex instruments.

The US has shown the way with tax legislation specifically on foreign currency transactions. The US Tax Reform Act of 1986 and subsequent amendments codified numerous aspects of foreign currency transactions. Regulations are used to clarify certain aspects of the taxation of a number of financial risk-management instruments, such as notional principal contracts including

many hedging instruments. Although London is one of the three key international financial centres, it is only in 1993 that

UK legislation codifying the taxation of financial risk manage ment transactions has appeared. multinational corporate groups to move profitable treasury tions such as the Dublin Docks or Belgian co-ordination centres.

In the UK, tax on foreign-currency gains and losses has until now been taxed under general principles. The traditional distinction between income and capital has caused numerous difficulties in this area. Revenue sceipt or expenses are included in computing taxable income. while capital gains or losses on capital assets are determined

gains and losses. This forme

the basis for measures included

The new law deals primarily with gains and losses on mone-

tary assets and liabilities. Gen-

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be included in taxable profits on

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translation basis. They will

Currency contracts are sub

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says Mr Hanlon.

estimates that three quarters of

British banks and building soci-

eties now have an Alco, but

doesn't think that this means

asset and liability risks are nec-

Capital gains and losses are not recognised generally for tax purposes until realised. In addition, gains and losses arising in respect of capital liabilities are outside the tax system. Transactions that fit together commercially may be awkwardly asymmetrical once tax has been taken into account.

Difficulties in relation to currency gaths and losses have long been recognised. In 1989, the Inland Revenue issued a consultative document on the tax treatment of foreign exchange gains and losses. It proposed symmetry in taxing exchange gains and losses on the same basis with respect to timing methods and amounts. It tentatively proposed the abolition of

and income in respect of foreign. determine the applicability of exchange, gains and losses aristhe new regime. Given the fact that a number of areas are still ing in the course of trade. In March 1991, the Inland Revto be clarified by regulation and enue issued a further consultathe necessary overlap between tive document on the reform of these rules and the rules relatthe tax treatment of currency ing to financial instruments, it will be some time before its

impact can be fully assess There are few provisions under current UK tax law spe-cifically dealing with financial instruments. The rules have been unco-ordinated and unfo cused. Corporate users of financial instruments are faced with different rules for traded futures and options, as opposed to other futures and options for example. Similarly, swaps with UK banks or swap traders are treated differently from any other swaps. In 1989, the Inland Revenue issued a consultative document on the taxation of financial instruments for managing interest rate risks. The document focused specifically on swaps. Then, current practice tended to discriminate against non-bank entities in the UK swap market. Under the proposals, recurring swap fees would be assimilated

to interest. Because swap pay-

est, other rules would apply such as thin capitalisation rules and treaty provisions dealing with interes

A further consultative document was issued by the Inland Revenue on financial instruments in 1991. The government objectives were to recommend how payments and receipts should be characterised for tax purposes, to include as many instruments as possible that are commonly used for managing interest-rate risk, and to provide rules for the timing of recognition of payments and receipts for tax purposes that are consistent with ordinary commer cial accounting. Specific antiavoidance measures to protect the Exchequer were propos

These proposals are broadly enacted in new draft clauses, released on August 20 this year and are expected to be included in the next Finance Bill. The draft clauses are designed to dovetail with the new currency regime. It therefore amplies to companies, but excludes several entities taxed as companies. such as unit trusts and offshore funds. Special rules are provided

for special taxpayers such as insurance and mutual trading

The second of th

Taxation may be on a "mark to market" basis. This taxes payments and receipts in each accounting period and changes in the value of the underlying instrument over its life. Alternatively, an accrual basis method may be adopted. Payments and receipts under

all swaps and financial hedging instruments are to be treated as income, and therefore deductible and taxable accordingly. Most instruments primarily

used for currency and interest rate risk manas ement are covered. They include swaps and other instruments involving periodic payments which are either fixed or determined by reference to the application of an interest rate to a notional principal amount. These include interest-rate caps, collars and floors. There must be at least one receipt or payment determined by a variable interest rate. Single period instruments are also included. These include forward rate agreements, interest-rate futures and options, as well as currency futures and

Clearly, the Inland Revenue is suspicious that sophisticated financial instruments may be used to confer unintended tax benefits. As a result, several anti-avoidance provisions are

Withholding tax will apply to payments made by UK resident companies to parties in tax haven countries or in territories where there is no interest article

in an applicable tax treaty. It is ironic that, while the tax rules relating to instruments for the management of interest-rate risks have moved towards an accrual based system, the rules relating to the taxation of interest have not. The UK continue to apply the old-fashioned cash

number of key international issues remain unsolved. Although the UK has opted to treat payments on qualifying financial instruments as interest, it is uncir whether such payments will always be interest for tax treaty purposes. There is a strong body of opinion that the definition of interest for treaty purposes must follow the definitions in specific treaties. Payments under swaps, for example, are often classified as "other which commonly income." escapes taxation under many tax treaties. In some circum stances, they may also be

regarded as "business profits," which escape taxation in the absence of a permanent estab-lishment. This will be of particular importance in relation to those treaties where withholding tax on interest is not entirely eliminated.

in the European Community, the Commission is arguing that the Parent Subsidiary directive be extended to interest payments. The directive elim withholding tax on dividends from compa cent owned by a parent in another member state. This would be a step forward, but would only solve the problem for related party trans single market in financial instruments will not emerge in the EC until withholding tax

harriers have been eliminated. The risks of double taxation, or indeed double non-taxation, as a result of inconsistent estagorisation of financial instruments, traps and opportunities arising from differences in timing of recognition of income and deduction and withholding tax problems continue. Transfer pricing will continue to be a crucial issue where centralised treasury functions are carried out for group companies in multiple

Jonathan S. Schwarz is editor of the Financial Times World Tax Report and a partner at Paisner & Co, City solicitors.

BALANCE SHEET risk is now commonly managed by banks and building societies through central committees. Though sometimes known as risk committees, or balance sheet management committees, the popular label is 'the asset and management lia-

bility committee" - or Alco. Members represent each part of the balance sheet. The committee will often include the treasurer, the heads of lending and fund acquisition departments, the head of corporate planning and managers from

international divisions. The main function is to maximise earnings through overall management of acquisition and allocation of funds. Strategy is laid down through monitoring asset and liability distributions and maturities, earnings margins and appraisal of liability and loan pricing policies across a bank's portfolio of businesses.

Alcos originated in the 1980s in the US. Growth in financial markets was accompanied by an increase in the range and com-

plexity of financial products available. Risks consequently increased and new ways of taking and avoiding risk mushroomed. Banks realised that top-level management was required, hence the genesis of

The committee's remit typically extends to the setting of high-level limits, with board approval, in the key areas of interest-rate risk, currency risk, liquidity risk, equity price risk and settlement risk. In some banks country and industry, portfolio risk is also managed by the committee.

Royal Bank of Scotland set up its Alco last year. "We recognised as a bank that we needed an engine-room to effectively manage the risk that was arising across the bank's business strategies.' says Mr Peter Han-Ion, head of group asset and liability management "It was to make sure that everybody put their group hats on, so to speak, rather than their divisional hats." Up to then, the bank had

a decentralised approach to risk

the Alco.

Alcos provide an 'engine-room' essarily being properly dealt with. "Just having an Alco As well as ensuring that divisional strategies result in a baldoesn't mean that you're effecance sheet that the group is tive in managing your balance comfortable with, RBS's Alco

sheet." he warns. also acts as a communication A particular problem is undue influence of one part of a bank conduit, educating different parts of the group on market over the Alco. Ideally, the comand credit risk. The committee mittee should be chaired by the chief executive. but this may meets monthly and deals with high-level decisions. "It's not not happen in practice. In particular, in smaller banks and building societies asset and liability risk management may be Price Waterhouse partner, Mr Andrew Stott, is involved in setrun from the treasury, due to ting up and advising on the runthe fact that the expertise ning of asset and liability manrequired to analyse structural agement units and the risk is often far more developed committees they report to. He in treasury than other areas.

First Consulting recently conducted a survey of the operations of Alcos in 19 British banks and building societies. "There are people who say they looking at the whole balance sheet - but actually their conversations in their monthly meetings are predominantly about treasury issues," says First Consulting's Magnus

Treasuries are commonly geared to short-term structural risk, while the Alco needs to assess risk against a bank's long-term goals. "There could be conflicting risk strategies," says Mr Stott, at Price Waterhouse, He points out that clashes need not arise if the two func-

tions are clearly separated within a treasury with clear individual objectives, but that this is easier to ensure if personnel are within different divisions. A key issue for RBS's Alco is

liability sourcing. For all banks,

duced outflows from customer accounts. RBS has a policy of moving towards more stable retail deposits, and the Alco aims to provide incentives for the process and speed it up. The TSB has been running its

Alco - known by the less catchy title of "group balance sheet management committee" - for around five years in its current form, and has devised strategies for tackling the same problem. "You're looking to put on basically more fixed mortga and more personal loans," explains Mr John Ashenhurst. director of TSB's group balance sheet management unit and secretary of the UK Asset and Lia-

bility Association. One approach is to vary price sensitivity from account to

account and for interest-rate tiers within accounts. "The old way was that you said that everything was either sensitive ensitive. What we're saying is that it might be sensitive today, but it may not be tomorrow," says Mr Ashenburst.

Changes in rates alter structural risk and policy. "If interest rates go up, you will probably have to reprice the liabilities so that they won't be exposed." says Mr Ashenhurst. "It's timing and getting it right that is the main issue."

s well as increased mar-A ketting of fixed-rate mort-gages and personal loans, TSB is hedging the exposure from low-interest rate tiers in customers' accounts by investments in gilts and swaps. Moves by depositors into equities inevitably means that banks are looking to the interbank market for funds. This changes the balance sheet's risk profile, notably for liquidity risk, and presents Alcos with another set of policy

decisions.

A battery of instruments are available to banks for redistribution of risk. "Depending on their expectations, they could use interest rate derivatives, for example," explains Andrew

Mone

AND THE Recorded to the

Stott A key function of the Alco is the co-ordination of competing demands by a bank's different operating units for a share of the halance sheet. Return on capital, adjusted for the various kinds of risk, is a fundamental performance indicator. "You invest your capital in the highest performing business units, explains Peter Hanlon, "It's an incremental approach based on

bidding and competing." An important back-up to the Alco is the data provided by a balance sheet simulation model The effects of different capital allocation strategies and of the use of new products can be predicted. Developed in the US, they have been widely purchased by UK banks and building societies. "It gives you a ance sheet;" says Mr Hanion.

"If this is your view of global futures markets you're missing a world of opportunities"



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PLEASE RETURN TO: The Ben

THE UK SERIES

ade

# Early losses reduced in thin volume

By Terry Byland, UK Stock Market Editor

A STRONG warning against optimism on domestic interest rates from the chancellor of the exchequer failed to depress UK equities for long yesterday. The early part of the session saw some selling and the stock market was also upset by the temporary closure of the London International Financial Futures Exchange (Liffe) because of a fire scare. But shares rallied strongly just before the close when both sterling and government bonds appeared to steady from their early worries over base rates.

However, traders stressed that sluggish trading volume presented the chief characteristic of the first session of the new equity trading account. Equity business was about 41 per cent down from Friday's level and most significant share price movements reflected individual company concerns rather than across the board investment pressures from the big fund management house

Shares reacted quickly to the UK chancellor's comment, on a Sunday morning television programme, that he saw no need or a base rate cut at present. His remarks provided a discouraging backcloth to the stock market's interpretation of the latest predictions in the City of the likely content of

the UK Budget to be presented at the end of the month.

At its worst the FT-SE 100 Index was down 23.1 to just under 3,148 and remained subdued for most of the session. But at the very end of the trading day, it bounced smartly to close at 3,164.4, with the day's loss trimmed to only 6.6 points. At 3,520.5, the FT-SE Mid 250 Index was off 7.6 points as the second line stocks were largely

ing as the market reacted

firstly, and crucially, to news

of a significant price war initia-

tive whereby BT intends cut-

ting the cost of weekend calls.

Secondly, dealer were keen to see the reaction of the big

institutions to a story in the

weekend press suggesting that

BT was stalking Thorn EMI

with a view to a potential take-

over of the latter. The Thorn

story was immediately disre-

garded by market analysts -

the first I have heard of it and

an unlikely tie-up." was the

view of one top-rated specialist.

was not viewed as damaging

by telecoms and general mar-

ket analysts, who continued to

view BT as one of the market's

BT is scheduled to report

Thursday. NatWest Securities

is forecasting a 9.75 per cent

increase in the interim divi-

dend to 6.75p and for profits to

the last year - to make first half precise of \$1.472hn.
At the close of trading BT shares were 3% higher at

465%p on relatively low men-

over of 4.8m, while the partly-

Anxiety in the drugs sector,

triggered last week by Well-

come's results, continued to

pull stocks lower. Few inves-

tors came to the rescue of

pharmaceuticals and shares

slipped almost across the

not helped by Kleinwort Ben-

son's move from overweight to

neutral on the sector and a

shift from buy to a hold on

Glaxo. Its shares fell back 81/2

to 674p, while Fisons gave up 2

to 159p, Zeneca 17 to 756p and SmithKline Beecham "A" 7 to

413p. Wellcome lost 15 to 675p,

ened across the sector, one analyst stood out to say that

the profit-taking on the stocks

had been something of an over-

reaction. He said the harsher

climate that gripped pharma-ceuticals should lead to lower

expectations of growth, and

therefore Wellcome's figures

should not be seen as extremely as the market had done. "The sector has turned

the corner but the fundamen-

tals are just not as good as they used to be." He also

pointed to Wellcome's yield and suggested that that would

soon prove to be a pull for

investors.

BP's rehabilitation continued

yesterday, the shares creeping

up a further 3 to 352½p - their

highest closing level since October 17, 1991, ahead of next

Thursday's third-quarter num-

bers. "No-one wants to be short

of BP. which is now seen as

well set on the road to recov-

BP shares slumped to a

record low of 185%p in August

1992, after the group cut its

The leisure sector was enliv-

ened by a number of features

which acted to keep most of

ery," said one analyst.

dividend.

with 2.5m shares traded. But as bearish stances hard-

The flagging sentiment was

paid were 1% firmer at 214%p.

Wellcome slides

board.

come out at £715m - up 66 per

best defensive stocks.

The price-cutting initiative

left on the sidelines. The weakest sector was again the pharmaceuticals. where last week's reaction to Wellcome's results continued to drag down share prices. Losses among retail shares, the most closely linked to base rate prospects, were minimal by the close of business. The market is expected to focus on the latest leading indi-

TRADING VOLUME IN MAJOR STOCKS

FT-A Ali-Share index

1,540

1,500

1,480

1.000

200

1993

the stocks in positive territory.

Thorn EMI surged on weekend

press comment on the bright

outlook for the multi-media

market, with interesting hints

on the prospects for mergers

and takeovers - BT notwith-

standing. Thorn shares added

16 at 847p, albeit in dull turn-over of a short million.

An announcement from

Stanley Leisure that trading in

its cesinos and betting shops

was "considerably ahead" for the first six months of the cur-

rent year over the same period

a year ago lifted the shares and

impacted on related stocks.

Stanley made the revelation

along with the purchase of a

regional betting group for £6m.

The shares moved ahead 20 to

Stanley's good news helped

Rank Organisation, which

gained 8 at 847p. Bass, owner of the Coral Racing chain, put

on 2 at 490p. The group also

announced it was buying a stake in the Czech Republic's

second largest brewer. Lad-

broke, however, remained

friendless, down a penny at

172p.
The dullness in Ladbroke

was also connected with the continuing revelations over the

fall of Queens Moat Houses,

which kept hotel stocks under

a cloud, among which Forte

lost 21/4 to 219p. Compass rose 5 to 570p as it announced a deal

FINANCIAL TIMES EQUITY INDICES

2392.1 2398.0 3.87 3.87 4.48 4.48 27.85 26.07 25.90 25.88 224.8 225.5

28,404

London report and falest Share Index

Nos 1 Oct 29 Oct 29 Oct 27 Oct 36

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Oct 28

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Oct 27

30,661

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with Burger King.

Ordinary share 2392.1 2398.0 Ord. db. yield 3.87 3.87 Earning yid % full 4.48 4.48 PVE ratio nat 27.95 28.07 PVE ratio nat 25.90 25.89 Gold Mines 224.8 225.5 for 1993. Ordinary share tompstation high Basis Ordinary share 17/736; Gold Mines

gn & Col. LT. .

today, for evidence that the American economy is continuing to grow more strongly. The US booms, while Europe slumps," commented the economics team at Yamaichi.

Data on the British economy is limited this week but London analysts will be scrutinising the list of statistics from Germany. Little is expected from the Bundesbank council cators on the US economy, due meeting on Thursday, and

the group's Greek operations

later this by institutions and

Turnover among food retail-

ers returned to normal after

the hectic activity seen last

week, fuelled by talk of a price

war and worries over discount

operators. NatWest Securities

in its latest research note,

adopted a "neutral" stance on

the sector and said J Sains-

bury, forward a half-penny to

396p, Asda, steady at 54p, and

held good value. The broker

downgraded Argyll Group and

The shares eased 3½ to 292½p.

ing sector, Unilever's good run

In a weak food manufactur-

went from "buv

plunging 32 to 159p.

penny to 160p.

est upsurge also accounted for some of the rise.

SG Warburg was the out-

standing pereformer in mer-

chant banks as expecations of

bumper interim profits saw the

shares climb 6 more to 930p,

Legal & General fell to 511p.

900

"High "Low

2124.7 3.82 4.47 19.40

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28.14 249.2

29,099 1287.3

32,472 519.1

after a roord 932b.

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brokers.

Volume County Days 1985 Price stang

news of a further fall in manufacturing output and a rise in unemployment are feared.

Seag volume fell to only 465.5m shares, from 300.9m on Friday, when retail worth of £1.63bn indicated the continued underlying strength in equities.

Dealers ascribed the fall-off in business to a pause in activity by managers of the multinational funds prompted by holiday closures yesterday in several continental European

financial centres. There was also some caution ahead of publication today of the Bank of England's Quarterly Bulletin which, some analysts fear, may express further concern that inflation prospects are deteriorating.

This would add further uncertainty to the equation over prospects for both base rate cuts and tax increases in this month's Budget. "Room for manoeuvre on rate cuts without a tight Budget is fast disappearing," commented Mr Kevin Adams, UK bond strategist at BZW.

Accoun	rt Dealing	Dates
Pret Deallogs: Oct 16	Nev 1	Nov 15
Oct 26	Nov 11	Nov 25
et Deelings: Oct 29	Nov 12	Nov 26
nor 8	Nov 22	Dec 6

#### Vodafone nears record

THE BEST individual performance in the FT-SE 100 Index came from Vodafone, the cellular telephones group, which jumped 25, or 4 per cent, to 578p, within a penny of the stock's all-time high. The move followed the announcement of the group's highest ever monthly new subscriber

Telecoms analysts were not surprised by the new gross subscriber levels, which they said were triggered by the keting efforts by both of the UK cellular phone groups, Vodafone and BT. One leading telecoms analyst described Vodafone's new numbers, as cent from the comparable figextremely pleasing, even more so because two-thirds of the gross increase has come from the more hicrative business subscriber tariff".

Mr Marshall Whiting, telecoms specialist at Swiss Bank Corporation and a long-term bull of Vodafone, said: "The cellular market remains good value and Vodafone will participate in its growth." shares peaked at the end of August when a wave of US money moved into the UK market, focusing on the then current American favourites such as Vodafone and Reuters.

#### BT wanted

The spotlight was turned on BT shares at the outset of trad-

**NEW HIGHS AND** LOWS FOR 1993

MEM HIGHS (169).

AMERICANIS (4) Dun & Brodistree, Lockheed, Makey Tech. Lis West, Camadhams (2) Can. Plants, West, Camadhams (2) Can. Plants, West, Camadhams (2) Can. Plants, Standard Card., Westpace, Bernwichs (3) Matthew Card., Valor, SLDG MATTS (4) Blue Cards Telepot, Pt., Storpe S. Shaw (A), Shaw (A), Shared Ins., Business SERVIS (1) Hugath Winnip, Chellis (1) Yorkshire, Consol, Gallegarants (5) Gloves, Janckon IT. CONTO & CONSTRICK (9) CALA Exe, Festuar, BECTRECTE (2) China Lipt, Scottler Power, BECTRECTEY (2) China Lipt, Scottler Power, Bectrin Control, Bender, Bender, Fernald, Mesco, Poles, Pewn, Tuntsud, EMB GEN (4) Prop. Grants, Bender, Nother, Nother, Reckin 2 Colman, Do Yepp Qu., List, Drug, HOTELS & LESS (7) Memorian Crimms, Besch (4) Angla TV, Ferdisch, Greenser (1) Corner, Reckin 2 Colman, Do Yepp Qu., Vietzun, SCG, NBSC (2) Kesther (4), Noto, Wintsun, SCG, NBSC (3) Annex, SP, Celor, North Hyder, Printercleft, Victoria, Woodside, North Hyder, Printercleft, Victoria, Woodside, Officer, Hotel, 19 Coven, Mercury Asid Mights, Phys. Rev. A Del Prop. Performants, Santhe Gerdon, Statistica, Smith Lipt, Warring Son, ST, Watter, Smith JC, Warrington, St. (2) Cable & Const., Smith, Mercury (4), Matter, Storper, Smith JC, Warrington, No. 1974, App. Pop. Prop. Performants, Santhe Gerdon, Toy, Smith JC, Warrington, No. 1974, App. Pop. Prop. Performants, Santhe Gerdon, Schriege, Pop. No. 1974, No. 1984, Mesculan Mesculan

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EQUITY FUTURES AND OPTIONS TRADING

THE chancelior's dampening of interest rate cut hopes permeated through the Pootsie futures sector during yesterday morning, although later trading brought a recovery which limited the final damage, writes Christine Buckley.

With fears also circulating over taxation moves on penthe day's dealing. sion funds, the December contract on the FT-SE 100 was

for about ball an hour was said to have had little effect on As traders contended with a ing rally was mustered.

December finished at 3.171 nearly two points ahead of its by poor short sterling and fair value premium to the cash market. The premium now

After last week's rally, Guinness slipped a penny to 434p. Two US-owned brokers have been recommending the stock in the past week and analysts say support will probably be forthcoming prior to a visit to

> ations of its US telecoms inter-Hopes that British Aerospace will gain a satisfactory outcome from its crisis talks

> with the Taiwan authorities this week helped the shares forward 8 to 434p. Steel group ASW saw its

down at 147p. **MARKET REPORTERS:** Kwik Save, off a penny at 641p. Steve Thompson.

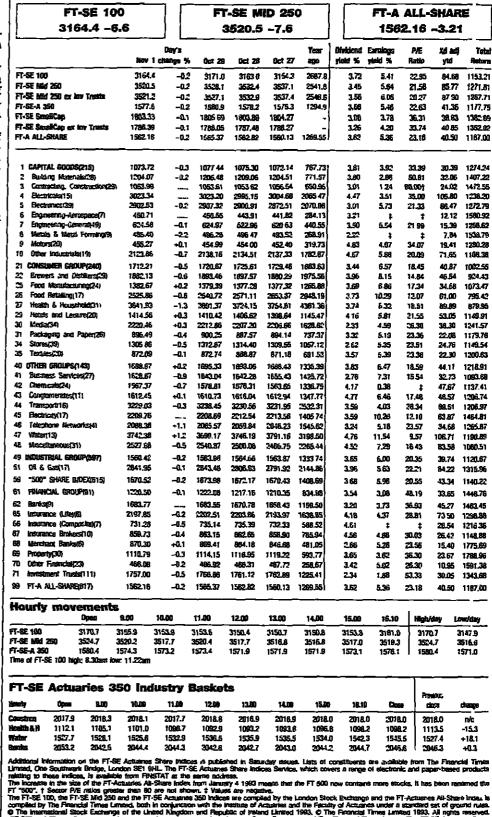
Other statistics, Page 27

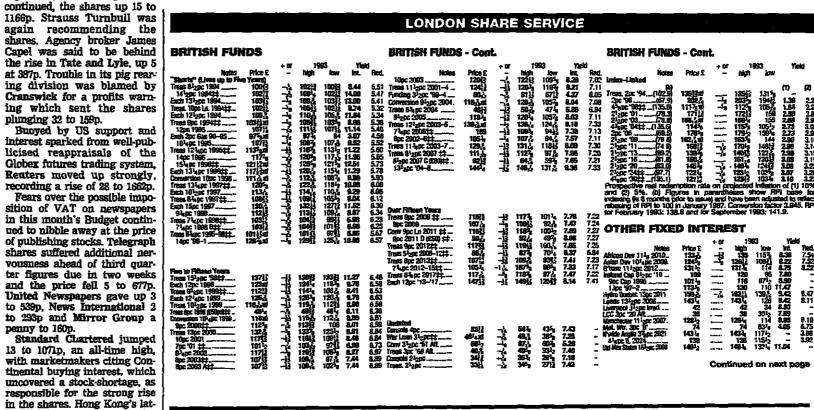
before settling a net 9 off at 516p, allbeit in thin trading of only 843,000 shares, amid persistent worries about Lautro's investigations into the indus

Pittencrief jumped 31 more to 436p, still boosted by revalu-

shares tumble after issuing a profits warning. They closed 41

Christopher Price,





#### CROSSWORD

No.8,295 Set by HIGHLANDER

ACROSS Business people admit zero progress made (4,2)
 Check show in cinema (6) 1 Special wool calls for nothing more than money up front (8) 5 Agitated butcher has no 3 Damo one separates more

time for sweet-looking child 9 Damage fastener with an ensuing paste (8) 10 Loses out parking in the

12 Practise too much in obvious bad weather (9)

13 Franciscan provides religious teaching in distant 8 Span is perfect to sit on (8)
11 Cut small rolls up (4)
15 Half-dead evangelical group setting (5) 14 Willing to gamble with wild

animals (4) 16 Counter cleared, allegedly 17 Instrument with black and for drinks dispenser (7) silver tubes (8) silver tubes (8) 18 Fan is tending to stick (8) 19 Stomach out of order - bad sign (7)

21 Each movement produces pain (4) 24 Spies for aristocrats (5)

30 lt's fresh in the sea at

JOTTER PAD

27 Please refer to auditor's summary (6) Regular tendency in latter part of day (8) 29 Smooth and glossy-looking-Rowland is after it (6)

against king (4) 21 Article for example about French wine (from Anjou) 25 List of people with pistol (7) turned over to controller (9) 22 Conflict on the street is

sion (9)

widespread (6) 28 Rosalind's forest takes time burning (6) 26 Heather is taking second foreign language (5)

20 Informant organised rising

DOWN

4 Traditional drink: mostly

red, in the style of the

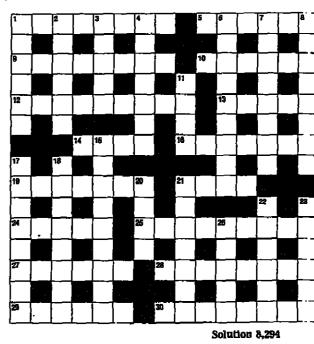
Keep for the unfinished lecture (4,5)
7 Rare slip in translating "an

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eye for an eye" (7)



VACUUMS OFFSIDE

TENDERFOOT TONS

E A N V D

CARDS UNCLESAL

background of gloom provided

SEAD Bargains
Equity Turnovar(Emit)
Equity Bargains†
Shares (Marchine)

quick to fall back after open-ing at 3,179 - the day's high. Midway through the contract's morning slide there was a fire scare at the London International Financial Futures Exchange. But the evacuation of the trading floor

gilts markets, the low of the day came just before lunchtime. Selling, said to have been mainly driven by inde-pendent traders, pushed the December contract down to 3,151. But a bouncy Wall Street added a little vigour to the afternoon and a convinc-

stands at about 8 points. At 8,934 lots, volume was steady. Traded options were quiet, with index options accounting for a substantial chunk of the action, Total volume was 25,552 contracts, with 9,816 dealt in the FT-SE 100 option. SLC witl grow the hist Ti slav

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LONDON SHARE SERVICE

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**FOOD RETAILING** 

**ELECTRICALS** - Cont.

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· · ·	JERSEY (REGIRATED) (not)  May 19th of	1.	Short-Tue Rd S.A.   \$107.72   107.72   Sent Short-Tue Rd S.A.   \$107.72   107.72   Sent Short-Tue Rd S.A.   \$108.62   Short-	the Global Opcortualities Francy  Legady Fland  A 17 S16.59  A 18 S16.57  Bit   S16.57	Non-content Add 18	4 + 0 17 - Britishi (BMF) 2006 - \$1,732   2 + 40,00   Britishi (BMF) 2006 - \$1,732   2 + 40,00   Britishi (BMF) 2007 - \$1,732   1 + 20   Britishi (BMF) (BMF) 2007 - \$1,732   1 + 20   Britishi (BMF) (BMF) (BMF)   \$1,732   1 + 20   Britishi (BMF) (BMF)   \$1,732
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	Liver Per Languar Parish Languag Langu	10.00	Clariday C	Alons Belan Go 31.   Contracted   General Section Analysis   Hantin Care   S222.74   Hantin Care   Hantin Care   S222.74   Hantin Care   Han	Montgomery Emerging Markets   1	Ind Ltd
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	Secretary Interview Paragrams and Secretary 1977	Color   Colo		Clase 19 Sep 30   \$11,21     GAM Factor.     GAM Factor.	1974.57   Debts From:   Derrisco   196.01   19	Wigher Managed Fd   120 72   104 71   49 77
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	Section Footistics — 1	Color   Colo	larg Seath (St. Acc.) 25	19.69   5.86   - CS Weet Bond   5   5   6   6   6   6   6   6   6   6	1230.177   00   PTC Separate Nature Plates   114.10     151 1.39   07   PTC Separate Nature Plates   114.10     152 5.1   PTC Separate Nature Plates   114.10     152 5.1   PTC Separate Nature Plates   114.10     152 5.1   PTC Separate Plates   114.10     152 5.1   PTC Separate Plates   114.10     153 5.1   PTC Separate Plates   114.10     154 5.1   PTC Separate Pla	BIANAGES FUNDS NOTES  Prices are in percea authors otherwise stafficated and those designated S with an period habit follow of Courty's Yestoc Notes and Courty's Yestoc Courty's Yestoc Notes and Courty's Notes and Yestoc Notes Notes Notes And Yestoc Notes N
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**Money Market** 

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**Money Market** 

**Bank Accounts** 

**Trust Funds** 

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MONEY MARKET FUNDS

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5.125 2.540 6.250 MP 5.976 4.930 5.480 MR

#### **FOREIGN EXCHANGE**

## Boost for dollar and pound

suggesting a pick up in manufacturing activity in the US gave a lift to the dollar yester-day. Dollar strength helped sterling which also received an initial boost from comments on interest rates by the UK chan-

cellor *writes Peter John*.

With many European financial markets closed for the All Saints' Day holiday, the dollar continued a rally that began on Friday and carried on during Tokyo trading.

The US currency was firmer against the yen in Tokyo in spite of comments from Mr Fred Bergsten, a US economist visiting Japan who said it needed to stay below Y110 to the yen in order to reduce Japan's large external trade

In European trading, the dollar was helped by the latest index from the National Association of Purchasing Managers for October which reflects optimism over manufacturing activity. The index rose to 53.8 per cent against an expectation of around 51.8 per cent and a previous figure of 49.7 per cent. The latest data on US construction also encouraged the mar-

Mr Jim' O Neill, economist with Swiss Bank who has had

Nov 1	Latest	Previous Close
E Spot	1.4810-1.4820 0.34-0.33pm 0.84-0.82pm 2.60-2.55pm	1,4810 - 1,4820 0,34 - 0,33pm 0,82 - 0,80pm 2,57 - 2,43pm
Forward pressi tollar	ms and discount	apply to the C

	STERLIN	Q IND	EX
	_	Nov 1	Previous
8.30 9.00 10.00 11.00 Hoan 1.00 2.00 3.00 4.00	200	81.1 81.0 61.1 81.0 81.0 81.0 80.9 80.9	80.7 80.7 80.7 80.7 80.7 80.8 80.8 80.8

CUR	REN	CY RAT	res .
Nor 1	Bank & rate %	Special * Diaming Rights	European 1 Cantency Unit
Sterfing US Dotter US Dotter US Dotter US Dotter US Dotter Selection Sch	· 등학자용자사자 · 교통 · · 출착의 ·	0.838927 1.38293 18.4076 16.4129 9.11680 2.33358 2.33358 2.33358 2.33358 17.441 2284.50 150.715 10.1876 187.029 11.3517 2.06084 NA	0.763879 1.13282 1.49034 1.49034 41.5101 7.69421 1.91237 2.14756 6.70348 1.9653,15 122.114 8.33998 1.51.227 9.25311 1.66031 273.500 0.810849
A Bank rate rele These are not go	rs to count oted by it	ral ikant discon ie UK, Spain 2	nt rates. af kreiged.

**CURRENCY MOVEMENTS** 

Skov 1	England Index	Guaranty Changes %
Sterling	80.9	-28.76
U.S Dollar	66.7	-10.90
Canadian Dollar,	91.9	-10,69
Austrian Schilling .	114.8	+16.88
Belgian Franc	109.9	-2.98
Danish Krone	113.3	+6.04
0-Mark	124.8	+33.16
Swiss Franc	113.5	+23.30
Dutch Gulider	119.8	+22.50
French Franc	106.3	-8.97
Lira	77.6	-3â.03
Yen	180.7	+120.56
Peseta	88.1	-32.57
Morgan Guara 1980-1982=100.   Average 1985=100)	nty change Bank of En "Rates are	aland (Base

OTHE	CURREN	ICIES
Mor 1	٤	s
Pintand Greece Hong Kong	1.4800 1.4810 2.1945 2.1980 251.575 261.585 8.5995 8.59845 311.4805 11.4805 11.4400 2402.85 2405.89 11.535 11.535 0.44230 0.44335 54.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 55.40 4.6255 2.6900 4.9300 4.9300 4.9300 4.9300 4.9300	5.7685 - 5.8085 241.800 - 242.100 7.7260 - 7.7270 1623.00 - 1625.00 607.400 - 807.600
Tehren	39.65 - 39.80 5.4375 - 5.4380	26.80 - 26.90 3.6725 - 3.5735

WELL-RECEIVED data suggesting a pick up in manufacturing activity in the US a very negative forecast on the dollar changed his estimate for the dollar's floor against the D-Mark to DM1.8750 in the short-term from DML56 previ-ously. But he still believes it will be back to DM1.60 by the end of the year. The dollar came very close to

DM1.70 yesterday, its highest point since August. At that level many investors were tak-ing their profit on the big rally of the past two weeks and moving funds into sterling and yen. There was also nervousness that the Bundesbank might be selling the US currency.

At the close of European trading, the dollar reached \$1.4810 against sterling, up from \$1.4865 previously but Y108.20 to the yen, down from Y108.40. It maintained its strength against a D-Mark weakened by the Bundesbank's recent interest rate cuts and closed up at DM1.6935, from

against the D-Mark at the si of trading as Mr Kenn Clarke, the chancellor, ad his voice to attempts by governor of the Bank England on Friday to dam

The pound broke thro DM2.50 for the first time s the end of August and index which shows steri against a basket of leading rencies rose to 81.1 before ing marginally firmer at 80. Gains were pared back midday but then the por picked up in the afternoon investors switched out of dollar. Sterling closed a p nig higher on the day

One dealer said belief t sterling had broken through a new chart-bound range of push it higher still. "If it st above DM2.50 for more than hours the technical boys DM.1.6795 on Friday. move and we could see it Sterling also lifted smartly DM2.55."

	EMS	EURC	PEAN C	JRRE	NCY	UNΠ	RAT	ES	
		Ecu Centra Raide	Convex Amount Against i Nov 1	انخ	thange from Gentral Rate	2 B C	Spread Wealquit urrency	Diver	gance alor‡
nich Guilde		2.196			-2.24	1	5.83		7
-Mark Parish Pes	<del></del>	7.945 154,2	194   1.912 20   153.2	77   T	-1.91 -0.66	1	5.48 4.15		9 5
an Pont		0.8096	i28   0.8108	69	0.27 2.25 2.52	i	3.18	_	9
atogoese E ench Franc		132.6 6.535	83 6.703	18.	252	1	1.1 <del>9</del> 0.82	7	iš 11 14
sigian Franc onish Krone		40.21 7.438			3.23 3.46	}	0.23 0.00	- 3	14 24
Exa contrai rates set by the European Commission. Currencies are in descending retailes strough. Percentage changes are for Ect. a positive change a weak currency. Disregaria shows the ratio between two spreads the percentage difference between the actual market and Ecu central rates for a currency, and the meadman percentage deviation of the currency at surfact rate high table could not a surface of the currency at surfact rate high table could not a surface of the currency at surfact rate high table could not show the 22% heard charged the blocks Californ and D-Mark.									
POL	IND S	POT	- FORWA	RD A	GAIN	डा १	HE P	OUN	D
Nov 1	Day spre		Close	One	month .	94. %	Three mont		p.a.
enda	1.4760 - 1.9455 -	1 4860	1.4805 - 1.4815	6.35	6.33cpm 0.21com	2.75 1.57	0.86-0	183pm	2.25
terada.	28025	28225	1.9475 - 1.9485 2.8125 - 2.5225	P 0.30-	ar-lucuis	-0.53	1 5	1.57pm - 120s	-0.63
igium omark	53.90 · 10.0530 ·	54 50	54.40 - 54.50 10.0775 - 10.087	1.1	2-ificits Procedu	-3.09 -2.60	41	-49ds 74ds	-3.31 -2.65
<u> </u>	1.0530 -	1.0640	1.0590 - 1.0600	0.04	0.08tds	-0.68	0.16-0	12255	-0.72
	2.4910 - 255.60	2.5100   258.80	25050 - 25100 257.80 - 258.80	l si	- spres	-0.90 -5.90	296	- %ds 411ds	-0.90 -5.47
an	200.10	201.10	200.20 - 200.50	1 5	4-66cda	-129	179-	199ds	-3.77
Y	10.8910 -	10.9510	2445.25 · 2446.2 10.9275 · 10.937	5 4	5-70mods Torepus	-2.94 0.75	ì	-22ds	-3.35 0.25
nct	8.7475 - 12.0940 -	8.7900	8.7750 - 8.7850 12.1350 - 12.145	1	4-icols	-1.20 -1.85	24-	24da 54da	-1.14 -1,71
XX	159,75 -	161.50	158.75 - 160.75			3.28	13	<b>Կատա</b> (	3.28
stria Azertand .	17.56 - 2.2105 -	17.65 2.9275	17.62 · 17.65 2.2175 · 2.2275	] **;	1-19000Es	-0.60 1.01	2,4	41 <sub>8</sub> 082 12000	-0.75 1.01
	1.3070 -		13115 - 13125	014	0.18cds	-1.46	0.51-	.586a	-1 66
			- FORWA	<del></del>		ST T	HE D		AR
Novi 1	Spres	<b>34</b>	Close	Cne	ngaĝo	pt 2	ulous ((mo		pã
t	1.4760 - 1.3880 -		1 4805 - 1,4815 1,2925 - 1,2935		0.33срия 0.40срия	2.75 3.53	1.11-1	.83pm   .06om	2.29 3.12
19dd	1.3145 -	1.3190	1.3165 - 1.3175	I Q11-	0.15czás i	-[.18	0.30-0	35ds 37ds	-0.99
perionda Comitación	1.8920 - 38.55 -	36.85	1,9020 - 1,9030 36,75 - 36,85	18.00-2	0.50cds 0.00cds	-3.09 -6.20	1,33-1 49,00-5	.3708   L00ds	-2.84 -5.54
imark	6.7870 •	8.8175	6 8050 - 6,8100 1,6930 - 1 6940	2.80-3	20credis 1.49okdis	-5.29 -3.44	8.20-4	70ds	-4.97
41217 14021	1.6840 - 173.85 -	174.45	174.35 - 174.45	1 121	12Ecds	-8.50	330-	336s 3456s	-3.12 -7.74
Mi	135.15 - 1642.10 -	135.40	135.15 - 135.25 1651.25 - 1651.73	1 7	3-76cdis 80tredis	-6.61 -6.03	202- 23.00-2	2066s I	-6.07 -5.81
way	7.3600 -	7.3850	7.3800 - 7.3850	1.32-1.	63oredis	2.39	3.90-4	1.30db	-2.22
nes	5.9040 - 8.1605 -	5.9335   8.2090	5.9350 · 5.9300 8.1950 - 8.2000		1.95cda 30oredis	-350 4.54		i. 15des 1.40des	-3.41 -3.98
30	108.15 -	108.80	108.15 - 108.25	0.084	ושפעלם 0	0.61	0.31-0	29pm	1.11
itria Itzerkand .	13.8570 - 1.4865 -	1.5045	11.9150 - 11,9200 1.5005 - 1.5015		Ognois 0.20cds	-327 -1,52	8.50-9 0.43-0	300s 147ds	-2.99 -1.20
rt	1.1265 -	1.1335	1.1285 - 1.1295	0.40-	1.39cpm	4,20	1.10-1	.Oêpm	3.86
	olma Nobern I	manufacture of	e end of Landon b	odec + i	K Instant	and Eas	arm musical	lo IR a	

E	URO-C	URREN	CY INTE	REST P	RATES	
Her 1	Short lerm	7 Days notice	One Month	Three . Months	Stx Months	Gre Year
ng way now of the control of the con	6 - 54 - 44 - 44 - 44 - 44 - 44 - 44 - 4	514 - 514 -	53446456888588588585 53464658885885885 53464657858885885	53444446666346 p. 8-1 5344466666846 p. 8-1	51.453.453.453.553.553.553.553.553.553.553	54 - 6 314 - 3 45 - 4 514 - 5 6 - 5 74 - 2 74 - 3 94 - 3 94 - 10

			EX	CHA	NGE	CR	<u> </u>	RAT	ES			
Hov.1	2	\$	DM	Yen	F ft.	S Fr.	N FL	Lira	C\$	B Fr.	Pta	Equ
£	1	1.481	2.508	160.3	8.780	2223	2818	2446.	1.948	54,45	200,4	1.31
5	0.675	1	1.693	108.2	5.928	1.501	1.903	1652	1.315	36.77	135.3	0.80
DM	0.399	0.591	1	63.92	3.501	0,886	1.124	975.3	0.777	21.71	79.90	0.53
YΒI	6.238	9.239	15.65	1000.	54.77	13.87	17.58	15259	12.15	339.7	1250	8,18
FR.	1.139	1,687	2.856	182.6	10.	2.532	3.210	2786	2219	62.02	228.2	1.49
S Fr.	0.450	0.666	1,128	72.11	3,950	1	1.268	1100	0.876	24.49	90.15	0.55
N FL	0.355	0.526	0.890	56.88	3.116	0.789	1	868.D	0.691	19.32	71,11	0.46
Line	0.409	0.605	1.025	65.54	3.590	0.909	1,152		0.796	22.26	81,93	0.53
C \$	0.513	0 760	1.287	82.29	4.507	1.741	447	1256	1	27.95	102.9	0.67
B Fr.	1.837	2,720	4.606	294.4	16,12	4.083	5.175	4492	3.578	100,	368.O	2.41
Pta	0.499	0.739	1.251	79.99	4.381	1.109	1.406	1221	0.972	27.17	100.	0.65
Ecu	0.762	1.129	1.912	122.2	6.692	1.694	2.148	1864	1.485	41.50	152.7	1.

	FINANCIAL FUTURE	S AND OPTIONS
	UFFE LONG SELT FUTURES OFTICING SIN,000 64ths of 100%	LIFFE BURG SERISE FRANC OPTIONS SFR 1s paints of 100%
	Strike Calis-cettlements Puts-settlements. Price Dec Mar Dec Mar 111 2-51 3-02 0-05 1-02	Strike Calls-settlements Puts-settle Price Dec Mar Dec 9500 0.63 1.04 0
start	112 1-59 2-24 0-13 1-24 113 1-12 1-82 0-30 1-52	9525 0.39 0.80 0.01 (
neth dded	115 0-19 0-83 1-37 2-63	9550 0.16 0.58 0.03   9575 0.03 0.34 0.15   9500 0.01 0.16 0.38   9625 0 0.07 0.82
the of	118 Q-01 0-21 4-19 5-21	9650 0 0.03 0.87 0 9675 0 0.01 1.12
npen rate	Sidimated volume total, Calis 5386 Puts 1304 Previous day's open int. Calis 96385 Puts 57346	Estimated volume total, Calle & Puts () Previous day's open lot. Calls 1977 Puts 17
ough	LIFFE EUROSIARK OPTICAS Olifica points of 190%	LEFE TALIAN GOVT. BORD (BTP) FUTUR OPTIONS Up 200m 100ths of
since	Strice Calls-settlements Puta-settlements	Strates Callis-settlements Puts-settle
the ling	9325 0.55 1.21 0 0 9350 0.32 0.97 0.02 0.01 9375 0.13 0.73 0.08 0.02	1140 1.90 2.81 0.43 1146 1.54 2.51 0.57 1150 1.23 2.25 0.76
cur-	9400 0.04 0.51 0.24 0.05 9425 0.02 0.32 0.47 0.11	1155 0.94 1.97 0.97
0.9. k at	9475 U 0.10 0.95 0.39   9500	1170 0.37 1.28 1.90 1 1175 0.25 1.11 2.28
und	Estimated volume total, Caits 700 Pots 400 Previous day's open let. Caits 227936 Puts 1 15536	Estimated volume total, Calls 6078 Pale 77 Provious dey's open Inc. Calls 48163 Puls 3
n as the	LONDON (LIFFE)	CHICAGO
pfen- 7 at	9% NOTIONAL BRITISH GR.T ** 660,000 32nde of 100% Close High Low Prev.	U.S. TREASURY BONGS (CBT) 8% \$100,000 32nds of 100%
that	Dec 113-23 113-25 113-16 114-03 Mar 113-00 112-30 112-29 113-11	Latest High Low Dec 118-11 118-28 118-01 Mar 117-08 117-21 118-28 Jun 118-00 118-08 118-00
th to	Estimated volume 35007 (64318) Previous day's open lat. 114055 (115343)	Jun 116-00 118-08 118-00 Sep 115-05 Dec 114-29 114-29 114-28
tays	6% NOTIONAL GERMAN GOVT. BOND 198258,000 1900s et 100%	Mar Jun
n 24 wili	Close High Low Prev. Dec 99.88 100.14 99.84 100.10 Mar 100.00 100.18 99.99 100.21	Sep
: hit	Estimated volume 42834 (77374) Previous day's open int. 179888 (151970)	U.S. TREASURY BRLS (MINN) Sim points of 100%
	6% NOTIONAL MEDIUM TERM GERSIAM GOVT. BOND (BORL) DIA250,000 100ths of 100%	Latart With Law
_	Close High Low Prev. Dec 102.42 102.47 102.40 102.49 Mar	Dec 96.80 96.82 96.79 Mar 96.87 96.88 96.86 Jun 96.49 96.49 96.49
nce	Estimated volume 376 (3319) Previous day's open Int. 22449 (22091)	
pr‡	6% NUTIQUAL LONG TERM JAPANESE GOVT. BOND Y100m 1080m of 100%	BRITISH POURED (DAM) Se per £
	Close High Low Dec 114.73 114.82 114.68	Latest High Low Dec 1.4758 1.4618 1.4734 Mar 1.4700 1.4730 1.4670
	Mar	Jun
	Traded exclusively on APT 12% NOTIONAL TRALIAN GOVT. BOND (8TP) *	SWISS FRANC (IMM) SF: 125,000 S per SF:
entage	URA 290m 100ths of 108% Close High Low Prev.	Dec 0.6668 0.6700 0.6657
en two	Dec	Mar 0.6653 0.6685 0.6646 Jun 0.6663 0.6863 0.6840
w the	Previous day's open int. 91994 (87975)	
	Pta 20m 109ths of 100%  Class High Low Prev.	PHILADELPHIA SE 2/5 OPTIONS E31,250 (conta per E1)
) p.a.	N A N	Strike Calls Price Nov Dec J
2.28 1.30 -0.62	A Estimated volume 0 (0)	1,425 5.27 5.48 64 1,450 3.02 3.61 4.5
-3.31 -2.65	Previous day's open int. () (0)	1.500 0.36 1.19 2.1 1.525 0.07 0.57 1.3
-0.72 -0.90	£500,000 pelats of 188% Close High Low Prev.	1.575 - 0.07 Q.4
-5.47 -3.77 -3.35	Dec   94.42   94.45   94.38   94.55     Mar   94.61   94.66   94.55   94.71	Previous day's open int: Calls 660,20 Previous day's volume: Calls 14,625
0.25 -1.14 -1.71	Jun 94.62 94.68 94.56 94.72 Sep 94.55 94.56 94.50 94.62 Dec 94.42 94.42 94.40 94.48	PARIS
-1,71 3.28 -0.79 1.01	Est. Vol. (inc., figs. not shown) 80957 (63603) Previous day's open int. 376576 (374558)	7 to 10 YEAR 10% NOTIONAL FREN Open Selt price
-1 66 Month	THREE MONTH EURODOLLAR * \$1st points of 100%	December 124.12 123.88 March 128.30 128.18 June 127.72 127.50
	Clasa High Low Prev. Dec 96.45 96.47 96.46 96.47	Estimated volume 149,258 † Total O
R	Mer 96.42 96.44 96.43 96.46 Jun 96.16 96.21 96.20 96.24 Sep 95.91 95.96 95.96 96.01	THREE-MONTH PROR FUTURES (MA December 93.67 93.60
% 14	Est. Vol. (inc. figs. not shown) 863 (522) Previous day's open int. 11145 (11069)	March 94.48 94.43 June 94.92 94.88
2.29 3.12	THESE MONTH EUROMARK * On In point of 100%	September 95.18 95.15 Estimated volume 35,037 † Total Opt
-0.99 -2.84	Class High Low Prev. Dec 93.80 93.85 93.78 93.84	GAC-40 FUTURES (MATIF) Stock ind October 2205.0 2189.8
-554 -4.97 -3.12	Mar 94,46 94.51 94.44 94.51 Jun 94.89 94.92 94.88 94.93	November 2217.0 2192.0 December 2233.5 2206.0
-7.74 -6.07	Sep 95.20 95.22 95.18 95.23 Dec 95.31 95.33 95.29 95.32 Estimated volume 41904 (62353)	March 2269.0 2238.0 Estimated volume 33,003 † Total Ope
-581 -222 -341	Previous day's open int. 700051 (696720)	ECU BOND (NATH) Oct.29
-3.98 1.11 -2.99	THINGE MONTH SCO ECU 1m points of 100% Class High Low Prev.	December 119.66 119.68 Estimated volume 2,981 † Total Open
-120 126	Dec 92.95 93.00 92.94 93.03 Mar 93.73 93.81 93.73 93.81	OPTION ON LONG-TERM FRENCH BO
паску.	Jun 94.25 94.25 94.25 94.34 Sep 94.54 94.54 94.54 94.63	Strike December Mar 123 1.08
<b></b> Ì	Estimated volume 584 (2138) Previous day's open Int. 32807 (32352)	124 D.45 125 0.12
_	THREE MONTH ENGO SMISS PRANC SFIL In points of 100%	126 0.03 2. 127 0.01 2. Ones fri 204.597 93.3

2189.8 2192.0 2206.0 2238.0 -7.20 -19.0 -19.0 -18.0 h 2269.0 2238.0 -18.0 227 abad voluma 33,003 † Total Open Interest 91,922 TON ON LONG-TERM FRENCH BOND (MATTE) Oct.29 0.21 0.55 1.22 1.08 0.45 0.12 0.03 0.01 179,503 **BASE LENDING RATES** Adam & Company ...... 6 Alled Trust Bank .... Alle Bank .... Financial & Gen Bank ... 7 OHerry Ansbacher ....... 6 ●Robert Flaming & Co \_\_6 Bank of Baroda ...... 6 Banco Bilbao Vizcaya\_\_ 6 ●Guinness Mahon ...... 6 Bank of Cypnus ....... Bank of freland ....... Bank of India ...... Bank of Scotland ..... Habib Bank AG Zurich .. 6 Standard Chartered .... 6 CHambros Bank ..... TSB ...... 6 CUrited Elk of Kusseit .... 6 Heritable & Gen kny Bik. 1 Barclays Bank ...... Bot Bk of Mid Sast Lloyds Bank ... Megtaraj Benk Liti ..... Midlend Benk ..... Merchant Banking & Securities Houses Credit Lyonneis 1-mft. 3-mfb. 6-mfb. 12-mfb. 1.4776 1.4725 1.4657 1.4548

-40 FUTURES (MATIF) Stock Index Oct.29

High Low Prev. 118-28 118-01 118-24 117-21 118-25 117-19 118-08 118-00 118-22 114-28 115-16 114-28 115-16 114-29 114-00 114-25 115-16 114-10 114-20 114-113-11

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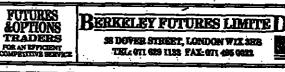
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# **Enough of** yesterday's market. What would be the second of the secon The state of the s

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#### **MONEY MARKETS**

#### Rate nerves hit shorts

A DOUBLE dose of official caution over the prospect for lower interest rates in the UK unsettled the markets yesterday and short sterling fell sharply, writes Peter John.

First, Mr Eddie George, the governor of the Bank of England, sought on Friday to dampen speculation over an early cut in base rates but the market largely shrugged off his

UK clearing bank base lending rate 6 per cent om January 26, 1993

Then on Sunday, Mr Kenneth Clarke, the chancellor, voiced his support for Mr George by saying that there was no need to cut interest rates "as of now". The opinion of many economists and dealers was "well, he would wouldn't he," but they were in no mood to

take chances. Although most dealers remained convinced that the chancellor will have to cut rates by at least half a percentage point at or soon after the Budget, the short sterling futures contract which expires on December 15 was marked down by some 17 basis points to 94.38 at the start of

dealing.
In the event of a half-point cut the December contract was looking very cheap and there was good buying at the lower

levels which took it back to 94.42 by the close on turnover of more than 50,000 contracts. Meanwhile, interbank operations were very tight and an unwillingness by

High Low 95.86 95.61 96.06 96.03 96.30 96.30 96.40 96.40

volume 2541 (5557) dev's open int. 49242 (48716)

High Low 91.21 91.28 92.05 91.94 92.47 92.35 92.66 92.61

ted volume 7970 (8235) vs day's open int. 105335 (104122)

\* Contracts traded on APT. Clasing prices shown.

Close 91.28 91.97 92.37 92.61

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FT FUREIGN EXCHANGE RATES

commercial banks to provide bills in exchange for the Bank of England's offer of assistance saw overnight rates pushed as high as 14 per cent at one Traders discounted rumours that the central Bank might be

responding to the governor's comments by sending signals that interest rates would not fall. They pointed out that the Bank offered help at each opportunity and at the established rates. The Bank of England offered

early assistance after forecasting a liquidity shortage of around 1950m, later revised to £1.1bn, but there were no takers.

More than half of the shortage represented bills for repurchase by the market. The Bank did not operate in

the money market at midday and provided only £55m of assistance in the afternoon. The bulk of the shortage was dealt with via £930m of late assistance. Dealers said that as late help is traditionally provided for a very short period - usually one or two days – yesterday's help was likely lead to tight monetary

conditions later in the week.

(11.00 a.m. Nov.1) 3 months US dollars bid 3.5 offer 3.7 The fixing rules are the aritymetic means rounded to the nearest one-shibeath, of the bid and offered rules for \$10m quoted to the merical by five reference banks at 11.00 s.m. each working day. The banks are National Westminster Benk, Bank of Toleyo, Deutsche Bank, Benque National de Paris and Morgan Gosranty Trust. MONEY RATES NEW YORK

FT LONDON INTERBANK FIXING

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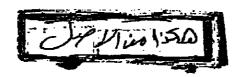
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## **Contrasting** influences weigh on Dow

#### Wall Street

US SHARE prices traded in a narrow range on either side of opening values yesterday as the markets struggled with the contrasting influences of good economic news and rising bond yields, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 1.40 at 3,679.19. The more broadly based Standard & Poor's 500 was 0.06 higher at 467.89, while the Amex composite was down 0.46 at 480.98, and the Nasdaq composite, which outperformed broader indices for the second consecutive day, was up 2.03 at 781.29. Trading volume on the New York Stock Exchange was 142m shares by 1 pm, and declines outnumbered advancing stocks by 995

Trading got off to a slow start, with investors troubled by early declines in bond prices. Those declines worsened later in the morning when the National Association of Purchasing Management published a stronger-thanexpected October report on manufacturing activity. The latest in a string of positive economic data, the report pushed the benchmark 30-year bond down almost three quarters of a point, lifting the yield back above 6 per cent.

The purchasing managers' report, however, was bullish for stocks. The NAPM said that its index of manufacturing activity rose from 49.7 in September to 53.8 in October. Any reading over 50 is seen as evidence that the manufacturing sector is expanding. Strong readings in manufacturing orders and production, and lack of growth in manufacturing prices, were seen as partic-

The figures, however, were not bullish enough to provide a sharp lift to equity market sentiment, and amid continued concern that share prices may

be too steeply overvalued, stocks drifted in a narrow range throughout the morning.

Among individual stocks, McDonnell Douglas jumped \$2% to \$95% in busy trading after the aircraft manufacturer and defence supplier reported net income of \$142m for the third quarter, an impressive turnround from the \$42m loss incurred in the same period a year ago. The company's earnings were boosted by a one-off

tax related gain of \$41m. Car stocks remained in demand in the wake of strong third quarter earnings reports Chrysler added \$1% at \$57%. General Motors \$% to \$48% and Ford \$1/4 at \$62%.

Forestry product stocks, hit late last week by negative comments from a brokerage analyst, rallied strongly. Interna-tional Paper climbed \$1% to \$61%, Georgia-Pacific added \$1% at \$66% and Louisiana-Pacific rose \$1% to \$38.

Dean Foods rose \$1% to \$27% after the company announced that it would be acquiring the Birds Eye vegetable business from Kraft General Foods for about \$140m. Compaq rose \$1% to \$68% in busy trading after the computer giant announced further price cuts in its leading

#### Canada

TORONTO was under pressure at midday from further declines in the precious metals sector and the TSE-300 composite index shed 25.56 to 4,229.98 in turnover of C\$266.8m. Declining issues outpaced advances 328 to 285, with 296 stocks unchanged.

#### **SOUTH AFRICA**

A FALL in the bullion price to \$364 an ounce led the gold shares index down 55, or 3.1 per cent, to 1,700. In the sector, Kloof shed R3.25 to R39.50. The industrials index gained 7 at 4,539, while the overall index lost 9 to 3,907.

## Global investors remain intent on Pacific Rim

mature economies such as the US and UK are generating

earnines growth that compares

favourably with the Far East".

He adds that while rapid

earnings growth in the west

may be unsustainable in the

long term, it will drive p/e ratios down to levels which

will look favourable compared

to the Pacific Rim: "the pro-

spective UK p/e is now actually

As the emerging markets in

market capitalisation reveals

that the Philippines, Thailand

and even Taiwan have some

way to move before reaching the level of Hong Kong, which

is now bigger than that of

disappointments, and the mar-ket's drift downwards contin-

ued yesterday. The listing of

Japan was one of last week's

below that of Hong Kong."

By John Pitt

he attention of the world's investment community remained firmly fixed on Hong Kong and the Pacific region's other emerging markets last week. But weak-ness in some of the mature equity markets, including Japan and France, kept the advance in the FT-Actuaries World index to a minimum.

The enthusiasm for Hong Kong - it is the world's third best performing market in dollar terms so far this year after Malaysia and Finland, according to the FT-A data - is not shared by everyone. Mr Albert Edwards, global strategist at Kleinwort Benson, supports an overweight position on the Pacific Rim but he argues the case against investment in

"One of the main arguments used to justify the heavy inflow of money into the Far East is that it is a rapid growth area. We have no quarrel with that view but what we would point out, however, is that East Japan Railway, which had been expected to drive the Nikkei higher, did the opposite. The market's drift has

caused no surprise for Nomura's strategy team, which advised a cautious approach back in May. While still sympathetic to a bullish appraisal of Japanese equities, Nomura suggests that a lot of the good news has already been priced into shares.

For example, "an imminent

the Far East become ever more package of Y5,000hn in income tax cuts has been the market popular, especially with US gossip for some time, leaving investors, a popular game to play at the moment is in prices vulnerable to disapidentifying those countries pointment over both timing which remain ripe for forand size". eign investment. According to Europe's equity markets one UBS global strategist, arranging markets by their showed a divergence of performances over the past week,

> took hold. The decline of the French market, says Nikko Europe's Mr Michael Woodcock, was due more to the government's climbdown over a package of austerity measures proposed for Air France, the state-run.

airline, than concern over the

with both France and Italy fall-

ing back as domestic worries

slow pace of interest rate cuts, Mr Woodcock suggests that the Air France saga - which ended on Friday after a 16-day stoppage of the airline's operations - called into question the government's privatisation programme, given that a number of those companies lined up for sell-off are in need of similar cost-cutting. If

again? The level of European interest rates and the likely scenario for further reductions remain uppermost in investors'

the government's resolve broke:

once, might it not happen.

Warnings last week from Mr Hans Tietmeyer, the Bundesbank president, against expect-ing further interest rate reductions following the surprise 1/2 percentage point cut on October 21 may have dulled some appetites; but others remain nnconvinced

Hoare Govett forecasts a further 50 basis-point cut before the end of the year, probably in December, with a further full percentage point off in the first

#### MARKETS IN PERSPECTIVE % change % change starting † In USS † % change in local currency † - I Yeak - 4 Weeks - 1 Year Start of +9.48 +32.97 +5.15 +24.71 +6.25 +48.41 +30.97 +15.58 +28.59 +24.06 +37.98 +0.82 +12.80 +122.64 +1.08 +18.31 +31.29 France ..... +8.54 +37.18 +5.44 +57.68 +0.18 +33.68 +28.29 +25.61 +1.06 -3.24 +47.16 +8.10 +37.29 -1.94 +0.32 +39.02 +33.55 +27.92 +54.24 +60.51 +36.43 +25.62 +33.95 +7.26 +0.54 +7.85 +81.03 +1.15 +9.20 +43.70 +25.22 +32.43 122.94 +31.68 +10.94 **EUROPE** 0.44 +5.34 +33.00 +24.07 ±20.91 +18.71 +27.37 +29.73 +7.45 +44.40 +22.12 +47.80 +1.31 +27.79 Hong Kong . +71.41 +68.30 +44.08 +82.41 +13.93 +82.39 +78.29 New Zealand ..... +51.45 Singapore. -0.28 +17.59 +9.03 +15.45 +8.56 +19.32 +19.95 +1.10 +10.60 +7.06 +2.83 +0.91 +9.21 - +28.24 +10.68 +12.44 +10.40 South Africa ...... +5.52 +35.41 +25.62 +47.55 +1.37 +0.05 +2.95 +22.81 +18.07 +23.93 +21.65 † Beend on October 200 and MatMost Securities

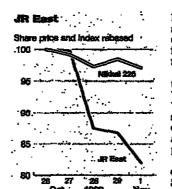
## Nikkei loses 1.3% as region continues to set records

PROFIT-TAKING in East Japan Railway dampened sentiment, and the Nikkei average lost 1.3 per cent on arbitrage linked selling, writes Emiko Terazono in Tokyo.

The 225-issue average ended 264.73 off at 19,438.24 after opening at the day's high of 19,656.97 and slipping to a low of 19,375.24 in the afternoon. Volume was a thin 200m shares, against 297.6m. Declines led rises by 594 to 363. with 182 issues unchanged. The Topix index of all first section stocks shed 10.84 to 1,619.75, and in London the ISE/Nikkei 50 index eased 3.11 to 1,283.67.

Traders said individual investors and second tier brokers were selling JR East. Meanwhile, much of the downward pressure came from arbitrage selling linked to Nikkei

low of 2,708.1 to close 3.9



Nikko Securities commented: "The market is not going to turn up until JR East rises above its initial trading price

of Y600,000." JR East receded Y28,000 to Y492,000, slipping below the psychological support level of Y500,000 for the first time

Technical analysts hope the Nikkel index will be supported at its 52-week moving average of 19,200. "That is the lowest it is likely to fall in the near term," said a Japanese broker.

Margin buyers sold Sumi-tomo Metal Mining, which fell Y30 to Y836, and NEC, down Y2 at Y949. High-technology shares, which gained last week on the rise in the dollar against the yen, declined on profit-taking.

Large-capital issues also eased on profit-taking: Nippon Steel dipped Y8 to Y326 and NKK Y4 to Y269. Banks were lower as a leading Japane brokerage house sold Nikkel 300 linked shares: Industrial Bank of Japan lost Y20 to Y3,340 and Dai-Ichi Kangyo Bank Y40 to Y2,360.

Carmakers, on the other hand, firmed on foreign buying. Toyota Motor, the most active issue of the day, rose Y20 to Y1,900, while Honda Motor moved ahead Y20 to

Y1,610. NTT advanced Y3,000 to Y834,000 on bargain hunting. In Osaka, the OSE average declined 110.54 to 21.511.11 in volume of 7.9m shares. Small lot selling was one reason; and railway stocks lost ground in bandem with JR Rast

#### Roundup

FOREIGN buying brought further records to the Pacific Rim. HONG KONG continued to be propelled higher by further strong US and Japanese demand, although the advance slowed towards the end of the ssion with the emergence of profit-taking. The Hang Seng index ended 300.10, or 3.2 per cent, up at a record 9,639.19, after establishing an all-time

intraday high of 9,710.08.

BANGKOK finished its most active trading day ever at another historic high as foreigners continued to pour funds into the market. The composite index rose

65.26, or 5.2 per cent, to 1,326.16 in turnover of Bt28bn, against the previous record of Bt27bn set on October 7.
NEW ZEALAND registered

its seventh consecutive advance with the NZSE-40 capital index 35.52, or 1.6 per cent ahead at 2,199.50 - its highest level since August 1989.

AUSTRALIA climbed to another six-year peak, encouraged by a narrowing in the current account deficit, a 9 per cent jump in exports and a rise in building approvals. The All Ordinaries index added 20.2

SEOUL advanced in brisk trading as buying interest in large-capitalisation exportoriented issues gained momentum. The composite index closed 11.04 higher at 761.76 in

turnover of Won866.32bn.

JAKARTA was firmer in active trading, with both local and foreign investors focusing on banking and property stocks. The official index fin-

ished 2.95 ahead at 469.10 KARACHI saw the KSE 100 index recover 12.14 to 1,540.08, writes Farhan Bokhari. The market had turned lower on profit-taking during the previous two days.

However, after official predictions of a bumper 12m-bale cotton crop this year, there was concern over new estimates from some officials and businessmen who predicted between a 10 and 15 per cent shortfall from the estimated figure due to recent pest attacks in central Puniah

**BOMBAY** relinquished further ground as brokers continued to wind down positions ahead of December 1 when new capital adequacy norms will be applied. The BSE index shed 52.46 to 2,621.28.

KUALA LUMPUR was dragged lower by a retreat in Telekom Malaysia. The KLSE composite index dipped 4.94 to 967.05 as Telekom fell 80 cents

## Volkswagen enlivens Frankfurt's quiet day

European countries and in three German states reduced bourse activity, writes Our Markets Staff.

FRANKFURT saw volatility in individual stocks although the DAX index slipped 6.88 to 2.062.12, most leading stocks had a very quiet day and turnover fell from DM9.5bn to DM4.1bn.

The blue chip exception was Volkswagen, up DM4.30 to DM398.30 on the session, and by another DM4.20 to DM402.50 in the post bourse. Mr Peter Böhnke, of Bank Julius Bär in Frankfurt, said that many traders liked to short VW, and had to cover after a major buyer emerged yesterday.

Some smaller stocks shot up on a combination of the thin market and investment buying. Porsche climbed DM51 to DM868, the pharmaceuticals and dietics group, Altana, by DM34 to DM625 and the paper-

maker, PWA by DM6 to DM193. AMSTERDAM closed at the day's high, with activity remaining concentrated in the options and futures exchanges.

latest prices were unavailable for this ecition.

FT-SE	Actu	arie	s Sh	are	Indi	ces				
November 1 (Partial)				•		THE E	LIROPEA	N SERVES		
Hourly changes	Open	10.30	11.00	12,00	13.08	14.00	15.00	Close		
FT-SE Eurotrack 100 FT-SE Eurotrack 200			1374.19 1439.79							
	Oct.	29	Oct 28	Oc	27	Oct 2	9 0	0st 25		
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1374 1439		1369.48 1435.53		77.82 10.55	1377.1 1437.9		78.69 142.09		

The CBS Tendency index put on 0.6 to 136.5, with a stronger dollar helping to lift sentiment. In a week in which a number of the major companies release interims, Philips, out on Thursday, gained 40 cents to F139.50 and its Polygram unit Fl 1.60 to Fl 72.30. KLM, also due out on Thursday, added 90 cents to Fl 40.60, picking up some of Friday's losses on fears that the Alcazar talks might have run into difficulty. Hoare Govett has put out a sell note,

compared with Fi 154.6 in the same 1992 period. ZURICH experienced an

late demand for the dollar sensitive Roche and Ciba-Geigy reversed the trend and the SMI index picked up from the day's

higher at a record 2,727.1. Ciba-Geigy bearers, recent underperformers, added SFr15 to SFr815 while Roche certificates rose SFr40 to SFr5,790. Nestlé, the most active issue, dipped SFr3 to SFr1,184, after a low of SFr1,170. Profit-taking in cyclicals left Alusuisse registered shares SFr16 easier at forecasting net profit of Fl 105m for the second quarter SFr527, while among mixed to lower financials, Swiss Re shed SFr100 to SFr3,770.

d to raise the basic rate of VAT from 12 per cent to 15 per cent. Although the move was widely expected, it illustrated the difficulties faced by the government, which is also under pressure because of an increase in Kurdish violence. ATHENS fell by more than

L5 per cent on a further round of profit-taking, and disapresults. The general index lost 12.82 to 833.61 in turnover of some Dr2.7bn. TEL AVIV was another market where investors took profits, following its climb to record levels on Sunday. The Mishtanim index lost 2.4 to 238.81 in turnover of Shk392m, having risen to

Commentators said that the rally had been triggered by a statement from President Hosni Mubarak of Egypt in which he hoped that Israel and Syria would sign a peace agreement by the year end.

241.21 on Sunday.

### ISTANBUL fell sharply, the composite index losing 565.4 or uncertain session. However, 3.9 per cent to 13,935.2, follow-

## **FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

national and Regional Markets			FRID	AY OCTO	BER 28	1983				KURSDAY	OCTOB	ER 28 19	<u> </u>	DOLLAR INDEX			
Figures in parenthaces show number of lines of stock	US Dollar Index	Crange Sty	Systems	US Dollar Index	Pound Sterling Index	Yen index	DM: Index	Local Currency Index	1993 High	1933 Low	(approx)						
Australia (69)	159.37	+1.6	158.95	109.20	139.16	159.00	+1.8	3.25	156.81	155.82	107.30	136,44	156.19	159.37	117.39	115.60	
Austria (17)		+1.7						1.00	177.14	176.02	121.21	154.12	155.33	184,47	131.16	148.30	
Belgium (42)		+08							150.03	149.09	102.68	130.54	135.05	156.76	131.19	139.9	
Canada (107)	133,51	+0.6							132.65	131.81	90.76	115,40	127.03	133,51	111,41	119,0	
Denmark (32)	238,10	+0.9							235.96	234,47	161.48	205.29	216.48	239.12	185.11	187.6	
Finland (23)	125.88	+1.9							123.48	122,70	84.49	107.43	150.32	125.88	65.50	67.3	
France (38)	168.07	-0.8							169.41	169.34	115.91	147.38	155.66	173.05	142.72	147.0	
Germany (60)	134 11	+1.1							132.63	131.79	90.76	115.39	115.39	136.13	101.59	106.3	
Hong Kong (55)		+3.4							360.57	358.30	246.73	313.73	357.87	372.88	218.62	254.2	
reland (14)		+0.1							174.00	172.90	119.08	151.38	175.00	174.50	129.28	132.2	
taly (70)	68.92	+0.5							68.54	68.11	46.90	59.63	83.29	78.93	53.78	59.5	
Japan (469)		+1.9							148.48	147,54	107.60	129.20	101.60	165.91	100.75	103.5	
									470.79	487.82	322.13	409.60	463.99	476.92	251.66	269.9	
Malaysu (69)		+1.3							1848.56	1838.91	1284.91	1608.34			1410.30	1442.1	
Mexico (19)		-1.6							195.10	193.87	133.50	169.75	167.54	195.17	150.39	153.4	
Netherland (25)		+0.0							193.10 85.22	65,80	45.31	57.61		67.33	40.56	37.4	
New Zealand (13),	67.33	+1.7											63.42				
Norway (23)	184.46	+21							180.65	179,51	123,61	157.18	180.10	185.10	137.71	140.0	
Singapore (38)		+0.1							322.86	320.82	220.92	280.90	236.42	332.55	207.04	191.9	
South Africa (60)		+0.9							212.68	211,34	145.53	185.04	196.64	218.72	144.72	152.1	
Spain (42)		+0.9							142.51	141,61	97.52	123.99	145.32	145.24	115.23	110.7	
Sylecten (36)		-Q.1							203.83	202.55	139,48	177.35	244.65	208.92	149.70	158.4	
Svntzerland (50)	146.93	+0.1	146.55	100.69		135.18	+0.6	1.61	146.76	145.84	100.43	127.71	134.39	148.18	108,91	110.3	
United Kingdom (218)	191.21	-0.2	190.71	131.01	166.95	190.71	+0.2	3.74	191,54	190,34	131.05	186.64	190.34	193.97	162,00	164.8	
ÚSA (519)		+0.1	190.14	130.64	156.47	190.65	+0.1	2.70	190,53	189,32	130.38	165.77	190.53	191.56	175.38	170,9	
Ецгора (750)	161,46	+0.1	161.04	110.64		154,90	+0.4	2.92	161,28	160.27	110.36	140.33	154.27	162.97	133.92	134.0	
Nordic (114)	192 <i>.6</i> 0	+0.5	192.10	131.98	168.18	201.95	+0.7	1.21	191.64	190,43	131.13	166.73	200.45	194.54	142.13	143.7	
Pacific Basin (713)	159,63	+2.0	159-21	109.38	139.39	113,54	+2,1	1.06	158.57	155,58	107.14	136,22	111,23	168.80	105.89	108.7	
Euro-Pacific (1463)	160.28	+1.2	159.85	103.81	139.94	130,10	+1.4	1.83	158.41	157,41	108.38	137.81	128.33	162,86	117.26	118.9	
North America (626)	187,08	+0.1	186.59						186.92	185.74	127.92	162.65	186.18	187.68	171.51	167.7	
urope Ex. UK (532)		+0.3				133 73			141.87	140.98	97.10	123,46	132,99	143,73	112.51	115.1	
Pacific Ex. Japan (244)		+2.2							234.67	233.39	160.74	204.37	217.44	239.97	152.70	158.8	
									159.21	158.20	108.95	138.52	130.59	162.89			
Norld Ex. US (1649)		+1.1													118.51	120.0	
World Ex. UK (1950)		+0.8							166.43	165.38	113.89	144.82	145.17	168.66	134,22	133.6	
Norld Ex. So. Al. (2105)		+0.7	169.23	116.27	148.17	150.02	+0.8	2.17	168.45	167.39	115.27	146.57	148.76	170.48	137,29	136.3	
World Ex. Japan (1699)	131 <i>.5</i> 6	+0.2	181.09	124.42	158.56	177.38	+0.3	2.75	181.14	180,00	123.96	157.63	176.79	181.56	157,47	154.8	
he World Index (2168)	169.87	40.7	169.42	116.40	148.34	150.45	+0.8	2,17	168.64	167,58	115.40	146.74	149,20	170.68	137.32	136.3	

